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VOL. 67 NO. 14 OCT. 1, 1976
Price Rupees Two

Leading Articles

Haves and Havenots 647
Procurement of Kharif Grains 648
The Gilt-edged Market—A New Turn 650
Jute Industry—Implications of Modernisation 652
Capital's Corridors 653

Point of View

Indian Agriculture in 2001 —Dr S. M. Shah 655
Flood Control Needs a Concerted Drive—L. G. Bapat 657

Interview

India and the EEC 660
Window on the World •
Gold, Fish and All That—E B. Brook 664
World Economy : Production Up, Inflation Down—Courtesy . IMF 666

Books Briefly

Restructuring Development Banks —Academicus 676
Facts Galore—B. Ganapathy Sarma 687
Books Received 687

Company Announcements

Mafatlal Industries Ltd 678
Transformers and Electricals Kerala Ltd 684

Trade Winds

Fifth Plan; Delegation to West Germany; Excise Relief for Sugar; Central Board of Excise and Customs; Rupee Upvalued; Engineering Goods for Zambia; Oil India Debentures; Demand for Cement; Standardisation in Shipping; Industrial Finance Corporation; Output of LSHS; Mining Delegation to ESCAP; Foodgrains Output in Developing World; Bread Prices Reduced; Names in the News 688-690

Company Meetings

Seshasayee Paper and Boards Ltd 691
India Steamship Company Ltd 693
Alumirium Industries Ltd 698

Company Affairs

Kanoria Chemicals; Brooke Bond; Uni Abex; Hukumchand Jute; Instrumentation Limited; News and Notes; New Issues; Capital and Bonus Issues; Dividend; Licences and Letters of Intent 701-708

Records and Statistics

World Bank Atlas 709

Haves and havenots

THE WORLD Bank report for 1976 shows how the gap in the level of living between the rich and the poor countries continues to widen year after year despite the fact that the flow of financial resources from the developed to the developing countries has also risen continuously. In 1970, the value of resources made available by the rich countries to the developing countries and the multilateral institutions was 15.7 billion dollars and constituted 0.78 per cent of the combined Gross National Product (GNP) of the donor countries. Provisional estimates for 1975 indicated that the total financial assistance had risen to 38.8 billion dollars and was 1.02 per cent of the GNP of the assisting countries. Notwithstanding this sharp rise in assistance, the difference between the per capita GNP of the two groups of countries had widened instead of narrowing (see Records and Statistics, pages 709-714).

What the developing countries need is financial aid on relatively soft terms in which the International Development Association (IDA)—an affiliate of the World Bank—has specialised. In 1976, out of the combined lendings of the World Bank and the IDA, the share of the latter was one-fourth. However, it was a wise decision to make available the bulk (92 per cent) of the IDA funds to countries with annual per capita income of less than $200. The World Bank loans on which the rate of interest has been increased this year from 8.5 per cent to 8.85 per cent impose an unbearable burden in servicing them. Unfortunately, the IDA funds are being replenished at a tardy pace, much to the disappointment of the poorest among the developing countries. As disclosed by the World Bank report, the fourth replenishment of IDA resources was agreed upon in September, 1973. The 24-member countries had consented to provide $4,501 million for the period 1975-77. Since this agreement provided for no value provision, the commitment had already fallen by as much as $300 million due to the drop in the value of currencies in terms of the dollar. What was still more disturbing was that not all promised contributions had been confirmed till June 30, 1976.

The fate of the IDA is hanging in the balance. The authority of the IDA to commit funds would end on June 30, 1977. If a new agreement is not finalised till that date, the IDA would have no option but to suspend its lending operations Our country, it may be stated here, has been one of the major beneficiaries of the IDA funds. Our foreign exchange reserves have no doubt increased in recent months but they are not large enough to fill the gap likely to be caused by the non-availability of IDA loans

Last year, the World Bank established an intermediate financing facility popularly known as the Third Window. The terms on which development assistance was made available were intermediate between those of the World Bank and the IDA. Contributions to the Third Window totalled $600 million and as much as $477.8 million were lent to developing countries till the middle of the current year. Our country received as much as $145 million for financing agricultural projects. The funds of the Third Window were rightly reserved for countries which had in 1972 per capita income of less than $375, and which were making reasonable development efforts in relation to their resources with capability to repay loans in foreign exchange. Surely, this financing facility came in handy for the poor countries in view of the relatively empty coffers of the IDA.

Last year, it was decided that a part of the International Monetary Fund's gold holdings would be sold for the benefit of the developing members of the Fund. In fact, the official price of gold was abolished by the IMF and the member countries were no longer required to use gold in transactions with the Fund. Our country had supported this move to dethrone gold from the high position it enjoyed in international transactions in the hope that a part of the new fund would be made available to us for financing our development plans. And now it is being stated that the rules stipulating the use of the new fund would assist only those countries which suffered from chronic deficits in balance of payments. Since we had witnessed in recent months a favourable turn both in balance of trade and balance of payments, the chances were that we would be debarred from the use of these funds. This has naturally caused some concern in New Delhi.

The World Bank has no doubt taken note of the considerable improvement in economic conditions not only in India but the whole of south Asia. It has credited "good monsoon" for the cheerful economic situation which, says the Report, "resulted in ample harvests in most countries of the region". With easiness in the supply of foodgrains, the governments in this region initiated financial stabilisation efforts which resulted "in stopping or slowing inflation for the first time in several years". But this short-term gain need not blind the governments in this region to the enormous development problems which remain to be tackled. Half the "absolute poverty" of the world is concentrated in south Asia (The World Bank has defined absolute poverty as living on income of less than $75 a year). Referring to our country, the World Bank has shown enough appreciation of our recent gains but it has rightly drawn our attention to the long-term challenges which we can ignore only at our own peril. Rising population, slow improvement in productivity and massive need for funds - both domestic and foreign — are all problems which will need to be faced boldly to keep up the progress witnessed in 1975-76.

widest amplitude

The developing non-oil-exporting countries suffered heavily in terms of trade in 1975 according to the latest IMF report. It is the exporters of primary commodities which had the heaviest drop in export earnings due to "the widest amplitude of fluctuations in response to cyclical and other temporary factors". The IMF has estimated that in terms of US dollars, the prices of primary commodities dropped by about 18 per cent, on average, from 1974 to 1975. Surely, there was some recovery in the first half of the current year but it was only a fraction of the ground lost. Woes of the developing world are due not a little to this unequal tussle in world trade. That is why the "Group of 77" fought a pitched battle in Nairobi from May 5 to 31 this year where the fourth session of the United Nations Conference on Trade and Development (UNCTAD) was held. The adoption of the resolution on an integrated programme for commodities at this conference was hailed as a great achievement since it provided for "the negotiation of a common fund for the financing of buffer stock" of primary commodities. It also stipulated the conclusion of negotiations by the end of 1978. Much depends on the success of these negotiations because once the exporters of primary products are assured remunerative prices, their economies can be saved from frequent ups and downs and they can also look forward to sustained growth and steady improvement in the standard of living of the people.

Procurement of kharif grains

THE DISCUSSIONS by the union ministry of Agriculture and Irrigation with the consultative committee of Parliament concerned with this ministry and the representatives of the state governments on the procurement prices to be fixed for the current kharif crop foodgrains concluded last week. The stage is now set for an early announcement by the union government of its decisions on the subject. If, however, the course of the above deliberations is any indication, it can safely be assumed that the recommendations of the Agricultural Prices Commission (APC) at least in regard to procurement prices would be accepted and the prices for the purchase of coarse paddy, maize, jowar, bajra and ragi would be maintained at the last year's level of Rs 74 per quintal in each case.

Contrary to the vociferous pleas for upward revisions in procurement prices, which used to be the rule in the case of surplus states till a couple of years ago, the state governments this year have almost unanimously approved the above procurement rate, as suggested by the APC. This obviously is due to unprecedented procurement during the last kharif and rabi seasons and sizeable imports effected till early this year; consequently, the government has today in stock nearly 17 million tonnes of foodgrains. With the stock position so comfortable and the outlook for the current kharif crop quite encouraging, despite delayed rains early during the monsoon season affecting transplantation of paddy in some parts of the country and widespread floods recently in Punjab, Uttar Pradesh and Bihar, it indeed, would have been an irony if the state governments had clamoured for higher procurement prices. The maintenance of procurement prices at the last year's level should go a long way in imparting stability to the priceline which is the paramount concern of the government at present.

The state governments are likely to be allowed to have their own schemes of procurement. These include direct purchases from the market, purchases through rice millers and imposition of levies on producers. The bonus scheme for supplies to the central pool too, it is indicated, would be continued. It, however, remains to be seen whether the plea of Andhra Pradesh, endorsed by Tamilnadu, for enlarging the southern rice zone would be acceded to immediately.

This plea has its genesis in the fact that there is a glut of rice in Andhra Pradesh. A freer movement of rice amongst the southern states, it is felt, will not only help in dispersal of stocks but also benefit the consumer in general through augmentation of supplies in the deficit areas. The Tamilnadu representatives, of course, have expressed the view that care should be taken that the enlargement of the southern rice zone would not affect the attainment of the procurement targets set for the southern states. This fear appears to be unwarranted because even with the enlargement of the southern rice zone, the state governments can be expected to maximise procurement to earn as much bonus as possible. Even if this hope does not materialise, it would not matter much because improved availability of rice in the open market would bring down the pressure on the public distribution system.

Some northern states—Punjab, Bihar and Orissa, in particular—have expressed fears that the rice procurement targets proposed by the APC for them may prove to be beyond reach. So they have called for the scaling down of these targets, particularly in the case of Bihar and Orissa. This, however, does not imply that the APC has over-pitched the targets in their case. The genesis of this plea lies in the recent widespread floods in Punjab and Bihar and the uncertain weather conditions in Orissa, which have to some extent mar.ed the prospects of the kharif crop subsequent to the submission of the APC's report. Almost all the other states have found the targets for rice procurement suggested for them by the APC as reasonable as they took into consideration the last year's procurement experience and the prospects of the current year's crop. Even if the targets for the above three states are lowered as pleaded, this is not going to make much difference to the overall procurement of rice as the addition to the last year's targets in their case is not more than 350,000 tonnes. If, on the other hand, actual procurement in these states is taken into consideration, the additional procurement requirement suggested by the APC for them is lower than last year. This should be evident from the table alongside which gives this year's state-wise targets, as suggested, by the APC, along with the last year's targets and the actual procurement figures not only of rice but also of coarse grains.

procurement incentives

The powerful incentive of bonus accrual will spur even these states to maximise procurement. Further, procurement in some other states might exceed the targets set for them. Excepting Gujarat, Kerala and to some extent West Bengal, all the other major rice producing states exceeded their procurement targets very significantly with the result that the overall procurement last year exceeded the expectations by as much as 60 per cent.

So far as kharif grains are concerned, the crop outlook is considered to be very promising as the main producing areas have had very benign rains. In fact, the representatives of Rajasthan and Haryana, who attended last week's deliberations, have expressed apprehensions that the prices of these grains in their states might register a marked decline in the wake of a bumper harvest Mr Jagjivan Ram, of course, has assured them that the central government would not be found wanting in undertaking price support operations for coarse grains in all the producing areas so that the farmers do not suffer a loss. The procurement of coarse grains this year, thus, may substantially exceed the approximately 302,000 tonnes procurement out of the last year's harvest. The procurement of these grains is to be undertaken as a price support measure. So no targets are proposed to be fixed in this regard.

Most of the states, however, have called for the prices of various farm inputs to be brought down in the interest of containing production costs. The prices of fertilizers have already been reduced substantially since July last year. The state governments not only want the prices of fertilizers to be reduced still further to the extent possible but also those of seeds, pesticides, pumpsets and tractors. This plea is not unjustified particularly if note is taken of the fact that the prices of industrial products which the farmers buy have not gone down except in a few cases and this has had an adverse effect on their economy. The irrigation and power rates too have been stepped up in the recent past in several states. It is hoped that concerted thought would be bestowed on this issue.

Another significant plea of the state governments that deserves notice is that

Procurement of Kharif Grains

('000 tonnes)

State	Rice procurement*			1975-76 Coarse grains Procurement	1975-76 Total Kharif Procurement
	1975-76 Target	1976-77 Target	1975-76 Procurement		
Andhra Pradesh	1000	1200	1342.9	2.1	1345.0
Assam	130	200	240.7	—	240.7
Bihar	25	50	60.1	--	60.1
Gujarat	50	30	26.8	—	26.8
Haryana	300	475	476.1	1.1	477.2
Jammu & Kashmir	30	40	40.9	—	40.9
Karnataka	150	150	177.1	15.3	192.4
Kerala	60	40	28.9	--	28.9
Madhya Pradesh	350	300	270.0	1.1	271.1
Maharashtra	125	100	52.2	248.7	300.9
Orissa	175	200	221.7	—	221.7
Punjab	900	1200	1194.1	19.9	1214.0
Rajasthan	10	30	26.4	1.2	27.6
Tamilnadu	500	400	887.3	--	887.3
Uttar Pradesh	500	750	761.3	1.7	763.0
West Bengal	300	300	295.9	—	295.9
Others	30	35	23.8	10.4	34.2
Total	4635	5500	6126.2	301.5	6427.7

*Rice including paddy in terms of rice.

the incentive bonus, for procurement should not be taken into consideration for allocation by the Planning Commission for developmental purposes. If bonus accrual is also included in the allocations for developmental purposes, it obviously would work to the disadvantage of the surplus producing states and put a premium on those whose agricultural developmental efforts are comparatively lagging behind. As a matter of fact, the efforts of the surplus producing states at raising their agricultural output in general should be treated at par with import substitution and export promotion and all assistance ought to be provided to them not only to sustain their efforts but also to intensify them to the extent possible.

The gilt-edged market—a new turn

THE RESERVE Bank authorities would appear to be in two minds about how the expanding resources of the scheduled commercial banks should be utilised for extending non-food credit and for lending support to the borrowing programmes of the central and state governments and public bodies. The apparent indicisive thinking has been responsible for giving rise to the impression that the monetary authorities are blowing hot and cold when formulating the credit policy for 1976-77 busy season and fixing targets for borrowing by the governments and public bodies. Only recently it was announced by the Reserve Bank that there would be an increase in the cash reserve ratio applicable to the scheduled commercial banks by one per cent and credit expansion in 1976-77 would be broadly limited to the level of 1975-76. It was also decided after a meeting of the Reserve Bank Governor with chief executives of major banks that the refinance facilities against usance bills and under the bill market scheme would be on formal lines with appropriate changes in base periods. It was, however, stated that there would be a further stiffening of refinance facility against procurement credit.

Under the latest formula refinance facility will be available only in respect of the excess over Rs 1000 crores of procurement credit, against Rs 800 crores under the existing arrangement. Also, the proportion of refinance would be reduced to 50 per cent from 66⅔ per cent. Earlier, the refinance was available to the extent of 50 per cent of food credit between Rs 450 crores and Rs 600 crores. Thereafter full refinance was available The Reserve Bank has thus compelled member banks to utilise a larger proportion of owned funds for procurement purposes The latest arrangement becomes effective from November 1, 1976.

The increase in the cash reserve ratio to five per cent from four per cent has been observed from September 4, 1976 while banks have heen told that they should use existing facilities sparingly and comply with new directives effectively from November next. The net effect of the two major changes in the credit policy will be to absorb nearly Rs 500 crores of the working funds of the scheduled commercial banks, thus preventing them from extending credit for other purposes.

The higher cash reserve ratio has already resulted in the immobilisation of resources for about Rs 160 crores while the revised refinance arrangement for food credit will require an increase in the utilisation of owned funds for food credit to the extent of Rs 326 crores on the assumption that food credit would not be very much changed from the level of September 10, 1976, at the end of October. The scheduled banks, however, have been using refinance facilities on a smaller scale and the adjustments to new situation will not be painful though the cumulative impact will be felt acutely if food credit expanded in a big way concurrently with non-food credit during the busy season.

It is not clear whether the monetary authorities have visualised fully the situation that would arise in March next year if food credit happened to increase to the dimensions of last year. Even granting that there will be no large imports of foodgrains and the additions to buffer stocks will be confined to net procurement purchases, the outstanding credit may still rise by Rs 700 crores. This will require an outlay of Rs 350 crores out of the owned funds of banks in November/April 1977, while there was the advantage of full refinance in the last season. Theoretically, therefore, the progressive reduction in refinance availability and change in bases will result in the use of owned funds by as much as Rs 1,200 crores since November 1975 roughly representing one-third of the fresh additions to the deposits.

The Reserve Bank has probably been thinking of making available to lending institutions only the volume of funds that it considers desirable to be utilised for expanding non-food credit after meeting statutory obligations. In view of the fact that deposits are likely to increase by Rs 1500 crores between September 10, 1976, and end of March 1977, the amount available for non-food credit will be only roughly Rs 600 crores while the actual requirement may be in the region of Rs 900 crores, if not Rs 1000 crores. This will mean that borrowing of member banks from the central banking institution may have to be even as high as Rs 1400 crores at the peak level. The discretionary accommodation will therefore have to be liberally and flexibly extended.

disturbing effect

While the picture of a squeeze in the money market emerging during the busiest part of the busy season may have a disturbing effect in money market circles, there is the paradox of large investible funds seeking outlets into gilt edged securities which are acutely in short supply. Here again the Reserve Bank has been unable to take a decision with regard to a straight increase in the liquidity ratio as suggested in some government circles. A decision in this regard is not immediately necessary as banks, the Life Insurance Corporation and Provident

Funds are not having adequate supplies of new loans and bonds and their funds had to be invested in treasury bills. The Reserve Bank has also been approached for liberal disposal of securities out of its holdings. It would have been normally expected that the disposition would be to allow the state governments to increase the net borrowing for 1976-77.

state loans

The two tranches of state loans, however, have not resulted in any significant increase in net borrowing, as the total is only Rs 176.04 crores. The amount borrowed in 1975-76 was much higher at Rs 273.22 crores though it might be said that the net amount available to state government was in the region of Rs 173 crores if the repayment to centre of roughly Rs 100 crores against the earlier integrated borrowing is taken into account.

There were no maturing loans last year as the centre had earlier borrowed on behalf of the states. This method of adjustment might have influenced the monetary authorities to fix the targets for different loans for 1976-77 though the states were requiring larger funds. It can also be argued that the net effect on the money market involved less strain as the whole amount raised last year was in the form of cash subscription and there was outgo from the money market to the full extent of subscriptions. In spite of the fact that the Reserve Bank had been asking the scheduled commercial banks to reduce their applications to the state loans in view of the larger funds at the disposal of Life Insurance Corporation and Provident Fund, there has been an unprecedented response for the two tranches of state loans.

In the first phase, subscriptions for 13 state loans were as much as Rs 214.49 crores against the notified amount of Rs 171.50 crores. Even after accepting subscriptions up to 10 per cent in excess of the notified amount, there has to be partial allotment in respect of four loans. In the second phase the subscriptions were as much as Rs 221.64 crores against the notified amount of Rs 82.75 crores and partial allotment has been made in respect of all applications above Rs 10,000 for all loans. It is significant to note that cash subscriptions alone were received in the second phase and there has been heavy over-subscription even with many banks reducing their subscriptions.

These trends clearly show that there is an unsatisfied demand for gilt-edged securities and the Reserve Bank will have to chalk out its strategy which will enable banks, financial corporations and provident funds to invest the earmarked funds in government securities and bonds. It is not perhaps correct to form any idea of the "surplus" funds yet to be invested in gilt-edged securities statutorily. But having regard to the refunds after partial allotments of state loans, the balance of investible funds is anything up to Rs 175 crores.

Taking into account the need to invest another Rs 500 crores in government and approved securities out of fresh additions to deposits up to March next year and the accruals to the resources of LIC and Provident Fund there will have to be an increase in the supply of securities and bonds by nearly Rs 800 crores in a little over six months. The central government's second phase of borrowing may absorb only Rs 300 crores while the state electricity boards and other public bodies may raise another Rs 150 crores. Does this mean that there will have to be an increase in the target for borrowing by central government and even re-issues of state loans to cover the gap? Or, will the Reserve Bank try to carry out funding of ad hoc securities for a part of the gap and effect large scale open market sales?

The developments in the gilt-edged market in the next few months are therefore bound to be exciting and it remains to be seen how the new opportunity to raise additional resources through open market loans will be utilised and the resources so raised will be used for purely productive purposes. This kind of situation in the gilt-edged market has not been witnessed since the unusual experience of World War II, when there was a progressive increase in borrowing with successsive lowering of interest rates.

Eastern Economist 30 Years Ago

OCT. 4, 1946

The really governing consideration is, whether, having regard to present and immediate home conditions and needs any change is called for. The answer, clearly, is in the negative The objective of economic policy now and in the coming two years is to control inflation and prices and start the production drive. And it is from this point of view alone that the question of the initial exchange rate should be looked at. Neither increases nor reduction in the present rate is likely to help us either in the control of inflation of the import of the much needed capital goods and consumer goods. It is usually stated that devaluation discourages imports, and stimulates exports and an up-valuation does the opposite. In the current situation of global scarcity and sellers' markets, likely to last for another two years or three, these consequences habitually associated with exchange alterations will not come about. Every country is trying its best to conserve its supplies for urgent home needs before it thinks of exporting and the purpose is achieved by quantitative controls of trade and exchange control. In our own country, we are not at present interested in exporting greater quantities of many commodities; on the contrary, in respect of raw cotton, cotton manufactures, oilseeds, etc, decisions have been taken to restrict export to severely limited quantities for the sake of domestic consumption. This new policy has been found necessary even in the case of commodities which were our principal export staples before the war, and the resumption of which might reasonably have been hoped for.

Our interest in exports can now only be to the extent of retaining essential contacts so that when the present sellers' market disappears and more or less free supplies are available, our exports might revive.

Jute industry—implications of modernisation

THE APPOINTMENT of a committee under the chairmanship of Mr M. Narasimhan, additional secretary of the union ministry of Finance, to assess the jute industry's requirements of money for modernisation is another evidence of New Delhi's anxiety to improve its present condition and future prospects. But the industry can benefit from this move only if the government acts with speed and seriousness in tackling its problems. It is particularly important that the union ministries of Commerce and Finance should function in close cooperation and understanding in this matter. The Bose-Mullick Committee is reported to have recommended the abolition of the excise duty on jute manufactures with a view to stimulating their domestic demand. But the union Finance ministry has clarified that there is no proposal to remove the excise duty.

coordinated approach

It will be recalled that when some time ago the Commerce ministry urged the abolition of the export duty on jute goods, the Finance ministry resisted the move as long as possible. By the time the Finance ministry agreed to remove all export duties, the competitiveness of the jute industry had suffered seriously to the advantage of synthetics and Bangladesh. Do differences now persist between the ministries of Commerce and Finance in regard to the continuation of the excise duty on jute goods? Unless the government takes prompt action on the Narasimhan Committee's recommendations and also adopts other appropriate measures to improve the jute industry's viability, it will continue to be chronically sick. The production of jute goods declined to 86,000 tonnes in July 1976 from 114,000 tonnes in July 1975. The sales contracted by the industry in July this year were 26,000 tonnes against 50,000 tonnes in the same month of 1975. Prof Chattopadhyaya, the union Commerce minister, told the meeting of the National Industrial Committee on Jute at New Delhi on September 15, this year that the jute mill workers were "the worst sufferers" in the present situation. The government therefore cannot afford to go-slow in finding realistic solutions to the problems of the jute industry on an urgent basis.

industry's plea

The jute industry has been often blamed for neglecting modernisation. It is true that the industry has not done as much as it should have, for modernising its machinery. Even so, it is worth noting that, despite unprofitable working for prolonged periods, the industry has spent about Rs. 135 crores as capital expenditure on modernisation and renovation since 1958. Already, machinery has been modernised in respect of second drawing, finisher drawing, and spinning frames. But certain departments like carding, first drawing, beaming and sack sewing need further modernisation. At regards the weaving shed, the type of machinery used there does not appear to have changed at all since the mills were set up. By equipping the weaving shed with up-to-date automatic looms, it will be possible to reduce costs and improve productivity. The industry has suggested that the financial institutions should provide adequate funds for modernisation but without imposing rigid conditions. It has been urged that banks should be liberal in providing guarantees to obtain IDBI redisounting facilities, that the debt-equity ratio should be applied in a flexible manner, that the interest rate should be around 10 per cent and that, in the case of term loans, there should be a holiday on repayment of principal and interest for the first five years. The industry has also suggested that a portion of the revenue derived from the excise duty on jute goods may be set apart for giving subsidy to the mills to undertake their scheme of modernisation. The Narasimhan Committee should quickly and sympathetically examine these and other suggestions and submit its recommendations and the ministry of Finance should also take prompt action on them. Much valuable time has been spent already in conducting studies and surveys on the problems of the jute industry and the government should now see to it that appropriate action is taken to enable the mills to carry out effectively the modernisation programmes.

The Narasimhan Committee is expected to deal only with the problem of finance. But what about the repercussions of modernisation on labour? Will the industry get the active cooperation of the government and the workers in regard to rationalisation of the labour force, which will become necessary in the event of modernisation? The implications of rationalisation have to be examined carefully and the industry should be assured of all support in this matter so that it will have the incentive to go ahead with its modernisation programme. Prof Chattopadhyaya recently said that the jute growers would not suffer much from the present crisis because they could grow other crops if the jute prices were not remunerative. The owners of jute mills would not also be affected seriously since they could switch over to other kinds of business. But the minister warned that the workers had no such alternative and that the industry should be made viable in order to safeguard their interests. It is all the more important therefore that the workers should be correctly informed and educated about the implications of implementing the jute industry's modernisation schemes and they should be persuaded to give their wholehearted cooperation to this move.

realistic policies

Modernisation can strengthen the jute industry and improve its prospects only if, at the same time, official policies become more realistic especially in regard to the prices paid by the DGSD for its purchases, the subsidy offered for promoting exports, the money made available for undertaking extensive research, and the financial assistance given for marketing activities in foreign countries. The government should adopt an imaginative and integrated approach to the problems of the jute industry so that it can quickly regain its health and play its part in the country's economy and foreign trade.

CAPITAL'S CORRIDORS

R. C. Ummat

Mr Pai's European visit • Industrialising Rajasthan

THE UNION minister for Industry, Mr T.A. Pai, who visited Czechoslovakia, Yugoslavia, Switzerland and France recently, revealed at a press conference here last week that Czechoslovakia had agreed to upgrade its technological collaboration with our country keeping in view the considerable manpower available here and the rapid strides that have been taken by us in creating potential for production of quality goods. Czechoslovakia has also agreed to purchase from here a complete coke oven battery, three heavy duty cranes—one of 400 tonnes capacity and the other two of 250 tonnes capacity each—and various other products, including structurals, aggregating to a value of about Rs 100 crores. The sale of coke oven battery alone would bring in Rs 60 crores. In turn, we would try to import from Czechoslovakia sophisticated machinery and various raw materials with a view to balancing the two-way trade. A team from Czechoslovakia is expected here next month to have further discussions on the matter.

increased cooperation

Referring to his visit to Yugoslavia, Mr Pai observed that in pursuance of the decision taken at the recent Colombo meet of the non-aligned countries, it was envisaged that the objective of greater cooperation among the developing countries should be given a concrete shape. It was felt that India and Yugoslavia could cooperate, in association with Egypt, for meeting the requirements of developing countries. A pertinent case discussed in this connection was creation of wagon fabrication facilities in Egypt utilising the spare capacities in India and Yugoslavia to cater for the requirements of the developing world. Yugoslavia, Mr Pai said, had also shown interest in setting up a joint venture in India for the construction of ships.

Following the supply of a coke oven battery to Yugoslavia by Engineering Products India, the naphtha gas organisation of Yugoslavia, Mr Pai added, was exploring the possibilities of EPI collaboration with it for setting up a lube oil project. Detailed discussions in this regard are expected to take place shortly when a team from the Yugoslav naphtha gas organisation visits this country.

special committees

Another decision that had been taken for increasing the collaboration between India and Yugoslavia, Mr Pai said, was that the executives of public sector enterprises in the two countries should form committees in respect of heavy engineering, electrical goods manufacture, production of machine tools and electronic equipment, etc., to study how the two countries could collaborate with each other for setting up projects in third countries. It was generally felt that the possibilities of long-term collaboration between India and Yugoslavia has not been fully identified as yet. The above meeting of the executives of the public sector enterprises in Yugoslavia and India was envisaged to be a concrete step in this direction.

Talking about Swiss collaboration, Mr Pai revealed that the project report for raising the production of HMT watches from the present level of one million numbers to three million numbers per annum had been received. Japan, which was already collaborating with the HMT in the manufacture of watches, had also shown interest in this expansion programme. The Swiss project report as well as the Japanese offer would be studied in depth before a final decision on the envisaged expansion programme was taken. The aim was that production of watches by the HMT should utimately be raised to 10 million numbers by 1980. Under this scheme, most of the components would be made by the Bangalore unit of the HMT and various state-wise units would be set up for assembling watches. It was also proposed to set up two institutes of horology and four regional testing centres and introduce horology as a subject for study in some of the institutes of technology.

The Indo-Soviet collaboration in setting up projects in third countries, Mr Pai said, was making steady headway. Already equipment to the extent of 15,000 tonnes had been ordered by the Soviet Union from the Heavy Engineering Corporation for meeting the requirements of a steel mill being set up by it in a third country. Another similar order was expected to be finalised soon.

Talking about exports of public sector units under the charge of ministry of Industry, Mr Pai stated that New Zealand had placed orders on the BHEL for two more generators of 60 MW capacity each. Libya, which had awarded a Rs 102 crores contract to the BHEL for setting up a power station there, was also considering another tender from the BHEL for a Rs 250-crores worth contract for setting up another power station. Kamanis, a private sector concern, also had been able to secure from Libya a Rs 27 crores contract for the supply of transmission towers.

The Hindustan Photo Films Corporation, Mr Pai said, too had secured orders for the supply of X-ray films and sodium nitrate to Hungary and Czechoslovakia worth about Rs 4 crores and for the sale of photographic gelatine to East Germany to the tune of about Rs 2 crores.

Another important development that had taken place recently, Mr Pai said, was the acceptance of the offer of a US firm for the creation of facilities here for the production of components of oil rigs and equipment for export to West Asia. This unit would be 100 per cent export oriented.

* *

The Rajasthan government has planned strenuous efforts to industrialise the state. It has drawn up and is executing an ambitious programme to encourage particularly small and medium-scale industries. As many as 54 growth centres are being set up in the various parts of the state where all infrastructure is to be provided for putting up small-scale units The facilities to be made available to prospective entrepreneurs include constructed sheds, water and electricity connections, banking, postal and telegraphic facilities, etc.

The main difficulties which have stood in the way of the industrialisation of Rajasthan, namely, marketing of products and inadequate availability of skilled labour, are being particularly attended to. Marketing assistance is proposed to be rendered to the new units in various ways. Two cells have been created recently in the Rajasthan State Industrial and Mineral Development Corporation Limited (RIMDC) for collecting data of market opportunities not only within the state but also elsewhere in the country and abroad. The public sector enterprises located in the state are being prevailed upon to assist the establishment of ancillary units Laboratories are proposed to be set up for testing not only raw materials but also finished products so that quality certificates can be awarded to facilitate marketing. No fee is to be charged in the initial stages for the testing facilities, but with the passage of time, as the units availing of these facilities become viable, some nominal fee may be levied. Brand names are also envisaged to be given to the tested products.

training of entrepreneurs

Young entrepreneurs are being motivated to become self-employed by starting industries at these growth centres. Arrangements are made not only for their general initial training but also inplant training at various places in the country. Further, they are to be assisted in the drawing up of their project reports, arranging of finances and completion of other formalities.

In the bigger industrial areas, apart from the basic infrastructure facilities mentioned above, such other facilities as a tool room, a standardisation room, a design and production cell, quality control and testing laboratories, nursery sheds, etc. are provided where young entrepreneurs can develop their products. No fees are charged for the development of products. After a production line is developed, the entrepreneur concerned is allotted a shed for undertaking commercial production. With a view to fostering the development of a hosiery nucleus in Bhilwara, a processing centre is being established, costing Rs 20 to 25 lakhs, which will obviate taking of products to distant places in Punjab for processing.

financing schemes

A scheme has also been introduced with effect from April 1 this year, to be operative till the end of March, 1981, or for such other periods as may be decided by the government from time to time, for the grant of interest free loans to (a) a new unit, (b) an existing unit which has carried out substantial expansion during the period April 1, 1976, and March 31,1981, and (b) an industrial unit for which industrial licence or no objection certificate or SSI registration has been obtained prior to April 1 this year but which started actual civil work for setting up the plant after April 1. Under this scheme, the sanctioning authority in any assessment year may grant to an eligible industrial unit an interest free loan not exceeding the amount of the central sales tax and the Rajasthan sales tax paid by it during the previous year on the sale of its finished products. The concession will be available for a period of five years. In the case of an existing unit undertaking substantial expansion, the amount of interest free loan shall be equal to the difference between the sales tax paid by the unit in the year preceding the year in which the expansion takes place and the sales tax paid in the year in respect of which the interest free loan is claimed. The amount of interest free loan sanctioned shall not exceed 8 per cent of the value of the fixed assets of the unit in any particular year subject to a maximum of Rs 50 lakhs. Actual disbursement of loans will start from the year 1977-78.

With a view to interesting the landed aristocracy of Rajasthan in the setting up of industrial projects, dialogues are proposed to be initiated in the near future. Disclosing the above, the chairman of the Rajasthan State Industrial and Mineral Development Corporation, Mr Rama Kant told this correspondent a few days ago that his organisation was engaged in setting up five medium-sized projects in collaboration with various parties. These included: (i) a synthetics spinning plant of 12,500 spindles at Banswara: (b) a calcium carbide unit—location yet to be decided: (c) an electric lamps making plant at Alwar, (d) an elemental phosphorous unit at Udaipur, and (e) a mini low alloy steel plant at Jaipur. The synthetics spinning plant, expected to cost Rs 3.65 crores, is likely to be commissioned by December next year. A technocrat has been associated with it.

The calcium carbide unit is to be set up in association with Raunaq enterprises. It is expected to cost Rs 8 crores and may take about 18 months to go into production. The electric lamps manufacturing unit is likely to cost Rs 1.2 crores. It may go into production in the next six months. The elemental phosphorous plant with which Shaw Wallace is associated may take about 18 months to be set up at a cost of Rs 2.5-3 crores. The low alloy steel manufacturing unit is expected to cost Rs 2 crores In the case of the technocrat associated with the synthetics spinning plant, the requirement of his investment has been reduced to half of the general pattern in joint enterprises The collaborators in the other units will be making investments in the concerned projects in line with the guidelines for the establishment of joint sector projects

woollen yarn mills

A series of woollen yarn mills for carpet munufacture and a worsted yarn mill have also been planned. The RIMDC plans to go in a big way in the woollen industry.

The TV model to be produced in the state has been approved by the Electronics Corporation of India and it will be marketed through its distribution network. It is planned to produce 1,200 sets this year. The state is also going ahead with a milk canning project. A special plan for Delhi entrepreneurs too has been drawn up. Nearly 450 bighas of land have been acquired for locating 100/150 industrial units at Bhiwadi, about 75 km from Delhi on the Delhi-Jaipur highway. More than 100 enquiries have already been received from entrepreneurs for setting up industries in this industrial area. Nine parties have even been allotted plots.

Indian agriculture in 2001

Dr S. M. Shah

The author who is economic planner in Town and Country Planning Organisation, New Delhi, has summarised the findings of the National Commission on Agriculture whose voluminous report was recently released. He has brought out the salient features of the commission's report, especially in relation to the policies recommended for the attainment of targets set for 2001 A.D. In this effort, he was assisted by Raj Rani Jhamb.

IT WAS in 1959 that the Ford Foundation Team in its report, "India's Food Crisis and Steps to Meet It" indicated the possibilities of 'rapid expansion of food output' in this country. The full food production potential is now being gradually realised. Undoubtedly, a breakthrough in Indian agriculture appears to have been achieved.

The current year's estimated foodgrains production at 118-120 million tonnes and the bulging buffer stocks of more than 15 million tonnes are no doubt an indication of the strength and vitality of our agriculture.

Foodgrains production is, however, only one element in the totality of agricultural production. In this respect, the potentiality of our agriculture needs to be realised on all fronts—food, forestry, fisheries, etc.

the national commission

The National Commission on Agriculture which was appointed by the government of India in 1970 "to examine comprehensively the current progress of agriculture in India and to make recommendations for its improvement and modernisation with a view to promoting the welfare and prosperity of the people," has submitted its report. The commission's recommendations cover many important aspects and have been presented in the time perspective of 1985 and also in the perspective of 2001 AD. The keynote of the main report is modernisation of agriculture through application of science and technology keeping "Growth with Social Justice" as the guiding principle. It gives directions to the march of our agriculture towards 2001 AD.

The commission in its report has envisaged a dynamic role for the agricultural sector in the future. In making its recommendations, it has focussed attention on the agricultural sector's potential to become the leading sector in the country's economic development. This means that the agricultural sector has to grow at a rate much faster than before.

The commission has recommended that the main thrust of the agricultural policy should be to ensure demand supply balance in various agricultural commodities as well as to achieve distributive justice over a period of time. Resources should be so allocated as to secure both efficiency in production and generate maximum employment opportunities in the country. In the choice of technology, the labour surplus situation prevailing in the country should be kept in view. Industrialisation strategies should be such as to offer increased labour absorption capacities.

POINT
OF
VIEW

For building a forward-looking, dynamic and diversified agricultural economy, the commission has recommended an integrated development of crop production, livestock and poultry, fisheries and forestry. It has called for a simultaneous improvement in all these fields.

Dealing with inputs, the commission has said that for realising the full potential of modern technology, a package approach should be adopted in providing the various services and supplies to agriculture. Regarding infrastructure development, an 'area approach' has been suggested as the most effective and economical. Farm power needs should be met first by the use of manpower and draught animal power. Mechanisation should be on a highly selective basis so as not to displace labour. Land reforms and the reorientation of the service structure are the two basic institutional changes that have been recommended for enabling the weaker sections to participate in the accelerated production effort and in the adoption of the new technology.

The commission has recommended the imposition of ceilings on operational holdings in addition to the existing ceilings on ownership holdings. Data on distribution of operational holdings are now available statewise in the All-India Agricultural Census, 1970-71.

the overall strategy

The overall strategy recommended by the commission for enhancing agricultural production includes:

i) Land and land-use policy;
ii) Continuous improvement in yields;
iii) Increased availability and efficient use of scientific inputs;
iv) Improving the marketing and the pricing structure;
v) Adequate support for research, education and extension; and
vi) Simultaneous attention to the needs and potential of growth in areas with different levels of development.

Estimates of per capita demand have been worked out on two assumptions of income growth viz "high", assuming an annual growth rate of five per cent and "low", assuming the continuation of the past trends. Projections of demand have been made for a population growing to a level of 935 million in 2000 AD which takes into account the expected performance of the family planning programmes.

Supply possibilities of foodgrains and other crops have been assessed on the assumption that it would be possible to step up fertiliser consumption of nine million tonnes in 1985 and 14 million tonnes in 2000 AD. The outlook for some principal crops is expected to be comfortable even by 1985. Surpluses are expected in respect of such commodities as sugar, gur, jute, mesta and tobacco. The commission has observed that the genetic potential of the existing varieties of various crops is three to four times the present average yields. The yield levels by 2000 AD are expected to be two to three times the existing levels.

By 2000 AD supply would more or less match demand in the case of milk, meat and eggs. There will be substantial export margin in the case of fish and industrial wood.

suggested measures

Diversification of exports both in terms of commodities and markets, assessment of the prospective demand in individual foreign markets in terms of quantity and quality specifications, improvements in market research, financing facilities, packing and packaging and publicity are the measures suggested by the commission to step up exports of agricultural and agro-based products.

The commission has discussed various aspects of crop production and the development of as many as seventy individual crops. The targeted yields and production levels of different crops for 2000 AD are based on the assumption that the cultivation of various crops would, by that time, be confined to the most appropriate zones and will have the required backing of such inputs as irrigation, quality seeds, fertilisers, plant protection chemicals etc. and usage of appropriate implements and tools. The area under commercial crops is likely to increase by varying extents.

The net area sown and gross cropped area are likely to increase from the present level to 145 and 181 million hectares in 1985 and further to 150 and 200 million hectares in 2000 AD respectively. The total area under foodgrains is projected to increase from the present level of 127 million hectares in 1985 and then decline to the base level of 123 million hectares in 2000 AD.

The area under commercial crops is likely to increase by varying extents. In 2000 AD the likely area under these crops would be 25.5 million hectares in the case of oilseeds, 5.0 million hectares under sugarcane and 11.5 million hectares in the case of cotton.

The commission has laid emphasis on improving milk characteristics of cattle through cross-breeding with exotic dairy bulls and by selective breeding and grading up in case of buffaloes. The commission has brought out the potentiality of developing the buffalo also as a meat animal.

The commission has suggested a revision of the National Forest Policy and the adoption of a revised policy by the state legislatures for ensuring the planning of forest programmes on firm lines. To enable its intensive management, the forest departments should be provided with funds not only for the extraction of forest produce but also for regenerating the felled areas. The commission has emphasised the strengthening of social forestry, farm forestry and extension forestry.

It has suggested that land formation, construction of water courses, field channels, field drains and farm roads should all be taken up together by the land development corporations. Such land development corporations and command area authorities are being set up in several states.

perspective assessment

Making a quantitative assessment of water the commission has envisaged that on full development by 2045 AD, i.e. 50 years hence, about 100 million hectares would be irrigated in an expected cropped area of 210 million hectares. Thus nearly half the cropped area would ultimately remain rainfed as against about three-fourths at present. The commission has suggested that land formation, construction of water courses, field channels, field drains and farm roads should all be taken up together by land development corporations and carried out along with consolidation of land-holdings.

An irrigation project should not be considered completed unless its command area is also developed. The commission has urged that all efforts should be made to build up an organisation capable of developing command areas at the pace of one million hectares per annum by 1980 and 1.4 million hectares per annum by 1985. It has highlighted the role of electricity in the development of rural economy, particularly in crop production. It has also recommended that an area where power shortage may occur, the requirements of the agricultural sector should be met on a priority basis.

The Reserve Bank and the government of India should initiate immediately programmes relating to manpower planning so as to meet the needs of expanding commercial agriculture and the various institutional agencies in agriculture. Both marketing and processing functions have to be brought increasingly within the field of cooperatives.

administrative requirements

The commission has reviewed the administrative requirements for supporting a rapid development of scientific agriculture and has suggested several changes in the administrative set-up in the field of agriculture, both at the centre and in the states.

The commission has recommended a direct and single line of control from the field to the state level. It has emphasised that the crucial operational level in the case of agriculture is the district.

The commission has recommended that there should be separate secretariat departments at least for crop husbandry, animal husbandry, fisheries and forestry in all the major states. At the centre, there should be nine departments in the union ministry of Agriculture and Irrigation to look after the various programmes.

The commission has suggested that technical officers should be delegated full responsibility for the administration of the programme. Top management posts in the secretariat including those of secretaries and joint secretaries should be held by technical officers.

The commission has also recommended the formation of an all-India agricultural service to provide suitable career incentives to those engaged in the field of agricultural development. It has suggested that the central technical posts should be filled generally by deputation from the states.

The commission has suggested the separation of the land reform administration from the land revenue administration and has recommended the creation of special land reform agencies. Special itinerant courts have been suggested to expedite the implementation of the ceiling legislation.

Consolidation operation should be given high priority in irrigated areas and in the command areas of irrigation projects. They should be time-bound, not stalled by civil litigations and made compulsory in areas fit for consolidation. The commission has recommended that land reforms should precede consolidation to protect the interests of the tenants and share croppers.

According to the commission's projections, the rural labour force will increase by about 111 millions in 30 years from 130 millions (excluding children) in 1971 to 250 millions in 2001 AD. For providing gainful employment to the rural labour force the commission has suggested a two-pronged strategy consisting of (a) maximisation of employment potential in the various agricultural programmes, and (b) full exploitation of the employment potential in non-agricultural rural activities. The entire rural development plan should be employment-oriented and detailed employment planning done at the micro-level.

The commission has estimated the generation of 52 million man-years of additional employment through agricultural programmes by 2000 AD, an increase of about 60 per cent over the level in 1970. The commission has indicated that at least 30 per cent of the rural labour force should be provided employment in the non-agricultural rural sector compared with 15.5 per cent at present. This would amount to creating 53.5 million man-years of additional employment opportunities.

The commission has laid great emphasis on the maintenance of ecological balance and has cautioned against indiscriminate interference with the natural eco-system in the anxiety to accelerate production and development.

Flood control needs a concerted drive

L. G. Bapat

The floods this year have caused extensive damage in our country and the government has taken the right step in appointing a National Commission to study this problem. Reviewing the work done in this regard since Independence, the author has come to the conclusion that the government has so far depended by and large on mechanical measures such as embankments, reservoirs, diversion channels, etc. which, in his view, have strictly limited utility. He has advocated the extension of the area under forests and has asked the government to have a second look at the current race for urbanisation and deforestation.

In July this year, the union government constituted a National Flood Commission with Mr Jaisukhlal Hathi as chairman. The commission is expected to make a comprehensive study of the problems and programmes of flood control and evolve a national plan for implementation during the next two to three decades. The commission is expected to submit its report within two years. This shows the gravity which the problem of flood control has assumed now.

According to the official estimates, the annual average loss on account of floods was Rs 1,260 million during 1953-72. This does not include government loss on account of remission of land revenue, water cess, etc. Loss of cattle and human lives and that due to the breakdowns in transport and industry is also not included in this estimate. Annually, floods take a toll of 730 human lives and 43,000 cattle. We also lose about one million tonnes of foodgrains. All this costs us about Rs 4,500 million every year, according to unofficial estimates.

Worse still, the intensity of floods is rising every year. In 1950, the official estimate of flood loss was just Rs 210 million. In 1971, it was Rs 6,310 million. Though this is the highest ever in any single year, the average annual loss during the last four years was around Rs 2 billion.

According to the Indian Irrigation Commission, 1901-03, the total annual surface flow of Indian rivers was 51 billion cubic feet or 1,170 million acre-feet. An acre-foot is equal to that quantity of water which would cover an acre with water one foot deep. This estimate referred to India as it then existed, but excluded Assam, East Bengal and Burma. The irrigation commission 1972, placed this flow at 1,356 million acre-feet. Out of it, only 450 million acre-feet or about one-third flow can be used for irrigation. The rest must flow to the sea in a systematic manner. Then alone, the problem of floods would be finally solved.

In 1951, when the first five-year Plan was launched, a separate flood control programme was considered redundant. Multi-purpose river projects were deemed adequate to tackle this problem. Only after the shocking floods of 1954, the need for an independent and coordinated programme was realised. In those floods, 900 people died and 78,000 cattle were lost. Crops valued at Rs 780 million were destroyed and two million houses damaged. The central government then appointed a high-level committee on floods with Mr A.C. Mitra as chairman "in order to have an adequate assessment of the flood problem in the country and also an authoritative advice on the measures that should be taken to tackle it." At the same time, a national flood control policy was formulated in 1954. The flood control work was divided into three phases: the immediate, the short-term, and the long-term.

During the immediate phase, intensive investigation was to be carried out and data collected. Comprehensive plans and designs were to be drawn up and estimates for the short-term measures of flood control prepared. This phase was completed in 1956. Flood control work such as embankments and improvements of channels were to be undertaken during the second phase. The third phase was to be devoted to the long-term measures such as construction of storage reservoirs on the tributaries of certain rivers and additional embankments wherever necessary.

A central board for flood control (CFCB) was also constituted in 1954 for preparing a co-ordinated flood control programme and evaluating states' projects for the purpose. Since then four river commissions for the Ganges, the Brahmaputra, the rivers in the north and the rivers in central India have also been created to assist the CFCB in technical matters such as drawing up of integrated plans for the river basins.

Till the end of March 1974, 7,375 km of flood embankments and 11,134 km of drainage channels have been constructed. The levels of over 46,000 villages have been raised and about 200 towns brought under the flood protection schemes. In India, about 20 million hectares of land is suspectible to flood damage. However, reasonable protection can be given to only 16 million hectares. Till the end of the fourth five-year Plan period nearly 7.1 million hectares were actually protected. Thus during the last 19 years since 1954, less than half the work has been done. At this rate, we would require another 25 years or so, to complete the entire work. Obviously the progress is too slow. The fifth Plan aims to provide reasonable protection to about additional 1.8 million hectares.

indefensible rationale

In this context, it is difficult to appreciate the rationale of inadequate financial provisions made in the Plans (see table below). In the first three five-year Plans and the three annual Plans, only Rs 1,653 million were spent on flood control. Then followed another shock of 1968 floods which proved to be the most severe during the last 15 years for which reliable flood statistics are available. Hence, a more ambitious flood control programme was prepared. But sufficient funds were not provided for it, in the fourth Plan too. The original provision was only Rs 1,330 million, as against a minimum allocation of Rs 3,000 million demanded by ministers' committee on flood control in February, 1964. Though actually a sum of about Rs 1,750 million was spent, its real value in terms of 1964 prices was just about half of it.

Outlay on Flood Controls

(Rs in million)

Plan	Outlay
First Plan (1951-56)	140
Second Plan (1956-61)	490
Third Plan (1961-66)	610
Three annual Plans (1966-69)	410
Fourth Plan (1969-74)	1,750 (Estimated)
Fifth Plan (1974-79)	3,010 (Proposed)

The long-term flood control programme chalked out in 1957 by the high-level committee on floods envisaged an expenditure of Rs 10 billion over a period of 15 years or so. Since then some work has however been completed according to that programme. If the remaining programme is taken up now, an investment of Rs 30 billion at current prices may be required during the next decade. It would solve the flood problem completely and increase our foodgrains production by four million tonnes, according to that committee.

handsome returns

Even at government controlled prices, the value of this production would be Rs 4 billion, which gives us a good return of 13 per cent. Besides, it would save the direct and indirect flood losses, enumerated at the beginning of the article.

In many countries, it has been found that saving the crop from flood damages is cheaper than raising the same amount of additional crop through the new schemes because of the operation of the law of diminishing returns. The worth of additional four million tonnes of foodgrains to our economy at the present juncture needs no special emphasis. The total investment in the fifth Plan is proposed to be Rs 534.11 billion. Generally, so far, in every five-year Plan, the investment has been double the previous Plan. Even if we assume that the investment in the sixth five-year Plan would be about 50 per cent higher than that in the fifth Plan, an investment of Rs 30 billion in the next decade for flood control measures would mean slightly more than only two per cent of the total investment under the two Plans.

This is not too heavy a demand considering the benefits. The government must, therefore, review its reluctance to earmark more funds for this purpose.

Similarly, a review of the flood control work done so far also appears necessary. For controlling the floods in India, the government seems to be relying completely on the mechanical measures such as embankments, reservoirs built under the multi-purpose river schemes, diversion channels, etc., while neglecting the natural measures. It must not be forgotten that such artificial measures have strictly limited utility.

No doubt, the flood embankments constructed along the main channel of the Kosi have converted it into a river of prosperity. For many centuries, this river has been known as the river of sorrow. Such embankments prevent inundation of river valleys. Further, surplus flood waters can be diverted through the sluices in the embankments and the intensity of floods reduced. Flood water invariably carries fertilising silt which can be used for agricultural production through irrigation in commanded areas. Such parallel embankments have also been constructed along both the banks of the Bagamati and Kamala rivers in Bihar.

However, such embankments have a somewhat short life. Flood water carries a lot of mud which finds no outlets owing to these embankments. It gets deposited in the main stream and progressively narrows down the channel. Soon, the level of the stream rises to the level of the embankment, rendering the latter useless.

storage reservoirs

As a part of the multi-purpose river projects, storage reservoirs have been built on a number of rivers. Tungabhadra, Rihand, Nagarjunsagar, Bhakra-Nangal are some of the well known projects. The Hirakud reservoir stores as much as five million acre-feet of water. This reservoir has helped to moderate the floods of Mahanadi.

Such reservoirs also face the problem of the accumulation of mud. Huge volumes of stored flood water contain large amounts of mud and reservoirs get filled up rapidly. The process is, however, not very rapid and a reservoir can be expected to be useful for about 50 years or so. All the same, reservoirs must be cleared of the deposits of mud as often as possible. This, however, is no easy task, as the reservoir invariably contains large quantities of water, throughout the year.

Somewhat less traditional method is to divert the flood water to other channels in order to reduce the intensity of floods in the original stream. Diversion channels built on the Jhelum river in Kashmir have offered protection from floods to Srinagar which is situated, as is well known, on both the banks of that river. Even slightly more than normal rains threaten Srinagar. Hence, through the diversion channels, the extra water of the Jhelum has been diverted in the Wular Lake. In the same way, Vijayawada in Andhra Pradesh has been protected.

In many cases, natural forces admit of only this line of action against floods. As everybody knows, the area surrounding the Brahmaputra is often threatened by earthquakes. Construction of huge dams and reservoirs is, therefore, out of the question here. The land surrounding the Ganges is too flat. Moreover, for constructing dams, a river should have narrow necks at certain places This is what is exactly wanting in the case of the Ganges. Hence, the only way to divert the flood water of these two most turbulent rivers is to construct diversion channels on them. Indeed, there was a proposal for constructing such diversion channels for linking the two rivers, the Ganges and the Cauvery. After a long discussion, the proposal was shelved With no other alternative for controlling the floods of the Ganges in sight, this was really inexplicable. Such an inter-canal river system would have encouraged the internal trade between the states too.

inadequate protection

Of course, it is admitted that even the diversion channels prove inadequate in offering reasonable protection to the surrounding areas, particularly when the floods are too heavy. It then becomes impossible to divert all the extra water through such channels. These channels, it is pointed out, could not halt the flooding of Srinagar in 1971-72 and also this year. But then such heavy floods are not a usual phenomenon. Hence, when there are normal or somewhat more than normal rains, reasonable protection from floods is possible through such diversion channels.

Indeed, when the rains are abnormally heavy, no amount of human effort is sufficient to control the floods. Then all measures, artificial or otherwise, fail. The memory of the debacle of the Panshet dam in 1961 is quite fresh in the minds of the people of Maharashtra. In early July 1976, the Panshet dam was again threatened in the same way. In 1971-72, the huge dam on the Damodar river in West Bengal also faced the frightening prospect of being washed out by the rain waters. Every dam, however, strongly built it may be, is threatened with this possibility.

Earthquakes have often changed the course of many rivers in India. The Brahmaputra in Assam is probably the worst river in this respect. Most of the times, earthquakes choke the streams of the river through landslides. Improvements in the channels is the only way in such cases to control the floods. In the case of the Brahmaputra, the government is required to use even dredgers to widen and deepen its streams. But this has not been of much help as the annual floods in Assam show This year also, we are witnessing the repetition of the same old tragic story.

master plan

The high-level committee on floods had pointed out the need to prepare master plans for various river basins. In western countries such plans are prepared for each river. The same policy was considered desirable for our country too. However, so far, the government has prepared and implemented only one such co-ordinated and balanced plan of river basin development for the Damodar river. Recently, the decision to prepare such a master plan for Krishna river was announced. The committee also declared that further deterioration of the catchment areas of various rivers should be prevented. This happens when there is faulty use of the land or when excessive destruction of the forest occurs.

In the United States, riverside areas are not allowed to be used for residential purposes. They are not even allowed to be used for cultivation. Such areas can be used only as parks or playgrounds. This reduces the losses from the floods. A further precaution is to watch the rivers for their tendency to change the course. This must be done in respect of the tributaries of the rivers too. Timely steps must be taken to discourage such tendencies when they are noticed. Western countries are concentrating on afforestation for controlling floods. Experiments made by these countries have revealed the utility of this natural measure.

soil erosion

Two neighbouring areas, one with a lot of trees, orchards and other vegetations and another with practically no trees were selected for the purpose of an experiment in France. Incessant rains lasting for about 24 hours producee practically no bad effects on the forest area Even after these heavy rains, the water had just reached the surface of the land. Most of the water was absorbed by the thick trees and bushes. In the other area, the same amount of rains had caused floods and choked the entire drainage system. This shows that a thick growth of trees can and does prevent floods. Not only this, such thickly grown trees prevent soil erosion and conserve water for use in summer when there are no rains. It is thus clear that along with artificial measures, this natural remedy must be given a high priority.

Flood control measures as adopted by the government of India so far have created the grave problem of water-logging. In Punjab alone, five million acres of land has been water-logged. Of course, the government has taken anti-water-logging measures. But at the same time, it must be seen that more areas do not become water-logged. Drainage plays an important part in this respect. Hence, along with the flood control measures, it is necessary to provide adequate drainage facilities. An estimate made in 1965 indicated that about Rs 1,500 million would be required for executing an adequate drainage programme covering the whole country.

Practically each country faces the problem of flood control. But in tropical countries such as India, the problem is much more difficult owing to the concentrated heavy rains in a relatively short period of four months That is why special attention must be given to this problem. Whatever has been done by the government so far is too little and in too haphazard a manner. Of course, complete protection against the fury of the nature is an impossibility. But with enough efforts, reasonable protection from floods can be and should be a reality.

Interview : Dinesh Singh

India and the EEC

Mr Dinesh Singh, former minister for External Affairs, recently led an Indian parliamentary delegation to the European Parliament. As a result of the parleys between the Indian delegation and the delegation of the European Parliament, it was agreed to recommend to their respective authorities to consider favourably the institutionalisation of relations between the Indian Parliament and the European Parliament.

Here in this exclusive interview with Dr. J.D. Sethi, of Delhi School of Economics, Mr Dinesh Singh has elucidated the various recent moves for the unification of the European Economic Community into a political entity. He has also hinted at the possibilities of India forging a unique relationship with the European Parliament outside the restricted circle of associated countries, the USA and Canada.

Q. What was the purpose of your visit? Under whose auspices did you go? And what was the result of your visit?

A. I was the leader of the Indian parliamentary delegation to the European Parliament. A delegation of the European Parliament had visited our country twelve years ago and it had extended an invitation to an Indian parliamentary delegation to pay them a return visit. The invitation was again renewed by the president of the European Parliament when he visited India last year. As it was not possible to go abroad last year, the delegation paid the return visit this year. We stayed for one week in Luxembourg where the European Parliament was meeting and had talks with the leaders of the European Parliament. There were simultaneous talks with a delegation which was appointed by the Speaker of the European Parliament. It consisted of the representatives of all political groups and also the concerned commissions. Then, we spent a week in Brussels talking to the European Commission representatives i.e. the President and the Commissioners of the European Commission.

The Indian parliamentary delegation and the delegation of the European Parliament at the end of their discussions jointly agreed to recommend to their respective authorities to consider favourably institutionalising their relations. If this recommendation is approved, India will be the only country outside the restricted circle of associated countries, the USA and Canada, to have institutional relationship with the European Parliament. The delegation of the European Parliament made this recommendation at a time when the member states had virtually decided to hold direct elections to European Parliament and a consensus was developing in favour of the voice of European Parliament being strengthened in Community affairs. In this context, the joint recommendation of the two Parliamentary delegations acquired particular significance. With its approval by the concerned authorities in India and in the Community, the European Parliament would be in a better position to use its growing influence in support of the initiatives and efforts of the Indian mission to strengthen economic relations between India and the Community. On the joint recommendation being implemented, India will have a political stature vis-a-vis the Community, more commensurate with the contemporary realities than the subsisting relationship based on the Joint Declaration of Intent and the Commercial Cooperation Agreement both of which are in some way or the other applicable to other Commonwealth countries also.

Europe, it appears, is genuinely keen on securing a voice independent of the super powers. Even the communist members of the European Parliament have confirmed this in their recent Berlin meeting There is some recognition in Europe that a comparatively easy way for Europe to acquire an influential, independent voice in world affairs would be to promote a meaningful relationship with what is generally referred to as the third world.

Q. What is your opinion about the developments in the European Parliament? It is said that the European Parliament is a very low key body. The real power lies with the Commission i.e. the European bureaucracy. Of course, ultimately the decisions have to be ratified by the Council of Ministers. Is it true to say that the new European Parliament has two functions; First that it will bring the EEC a step nearer to its final objective i e. unity and second that it is going to act as a countervailing power to the European Commission?

A. I think the European Parliament, as it is today, contributes towards a greater unification of the west European countries i.e. the members of the European Community. And that the European Parliament when it is directly elected by the people will have greater influence and will certainly be able to bring about greater unity and cohesion in the EEC.

The European Community has three organs—the European Parliament, the Council of Ministers and the European Commission. And they could be compared to some extent the three organs of governmental functioning in a Parliamentary democracy which is the Parliament, the executive and "bureaucracy," except that the European Council of Ministers is not responsible to the European Parliament nor is it envisaged that it would be responsible in the near future. At this stage it would be difficult to say if there could be a union of European states, not even a confederation is being thought of, although the idea may be at the back of the minds of the European leaders, but in their national context they are not in a position to say so just now.

But the European Parliament when it gets directly elected will certainly wield considerable authority and influence, though it will not have power directly to take action on its own. Its recommendations will weigh both with the Commission and the Council of Ministers.

Whether the strengthening of the European Parliament will necessarily weaken the power of the Commission, is hard to say. The powers of the Commission are really in its technical advice and its implementation. Each one of its reports comes up before Parliament, it is commented upon, criticised and to that extent one can say that the Commission has to be more careful in tendering advice. I don't know if it necessarily weakens its power because it gives technical advice and it takes into account all aspects, and as such it may be commented upon but not necessarily be turned down by Parliament.

Q. The EEC has still, among its members, some vital differences on economic issues as well as on foreign policy issues. It is doubtful if any significant move has been initiated for the attainment of the final objective. Is it your understanding that the European Parliament would mean now a greater public participation on the issues of unification, away from the secret, hard diplomatic activity that goes on behind closed doors?

Also, in your view, will the solutions of the problems which they face now, become easier or more difficult when the European Parliament comes into being?

A. Yes, when the directly elected European Parliament comes into being, there is bound to be greater public interest in its activities. Also, members would like to publicise what they have been doing for the benefit of their constituents. There will, therefore, be greater curiosity and interest in the work of the European Parliament than at present. To this extent, it will strengthen European unity and bring about greater cohesion in their approach to foreign policy issues. Of course, economic issues are already fairly well coordinated When issues come out openly in a democratic set up, then everybody gets interested and is ready to offer advice for their solution. This public debate strengthens the hands of the executive in taking action That is the main aspect of peoples' participation in a democracy. Therefore, I think as there is greater public interest and greater discussions of the problem in public, solutions will be easier. At the moment, various governments have to look at various aspects of European cooperation in terms of their national interests --sometimes narrow national interests. Once it becomes a matter of public debate in the Community as a whole, may be, the national governments will find it easier to sell the Community approach to solutions to their own people.

Q. There is a feeling among some of the smaller countries that the three big ones—West Germany, France and the UK—are going to monopolise seats in the European Parliament. And some of them do not seem to be happy about the distribution of seats among the rest of the members A new problem which is likely to come up when such countries as Greece, Portugal and Spain and some of the Scandinavian countries join the Community. Do you think the whole structure of the Community is in a formative stage till it is decided who joins it and who does not?

A. I agree with you that the structure of the Community is still evolving. This is one of the aspects of success of the European Association, if one could use that word, it is very flexible Another favourable factor is that the European Community members are currently more or less at a similar level of economic development and therefore do not place a heavy burden on one another. We know that West Germany is economically more advanced and that the Deutsche Mark is a very strong currency; also, the Belgian and Dutch currencies are strong in relation to the British Pound and the Italian Lira, nevertheless, all these countries are, more or less, comparable in their economic development. And therefore wherever there is a marginal adjustment to be made, it would not be very difficult for them to do so.

When a larger group comes into being—you mentioned Greece, Portugal and Spain, and may be Turkey—it will necessarily place burden on the present members of Community. Therefore my view is that they will move slowly and cautiously till they have integrated more closely the group as it exists today. They would not wish to take in a weaker partner Scandinavian countries would be certainly welcome as they would not place economic impediments in the way of the others. But I doubt if the Community would be willing to widen its membership just now.

Q It appears that Portugal and Greece are the most likely new members of the Community. What is your understanding of their chances of entry into the EEC?

A. My own feeling is that it is unlikely that they would rush their membership through. They could have some sort of closer association—treaty agreements with them in regard to some special aspects is quite possible but you never can tell, for political reasons alone, they may allow Portugal to become a member. I cannot say with any certainty, one way or the other. I think they have still to integrate themselvs and if they expand too quickly, they may run into serious difficulties.

Q. Is the European Union (and the structural changes associated with it) really going to make a united Europe or a loose federation? In terms of foreign policy is it going to be independent of the west or is it going to be fearful of the west?

In so far as defence is concerned, each country in the EEC is reluctant to spend much on defence preparedness. Will they depend upon the American umbrella? Will the European Union be operating independent of the USA or will it conduct its operations in close cooperation of the USA? How do the west European countries look upon their defence in view of the massive defence preparedness of the USSR?

A. No one in Europe is willing to utter the word of Union or Federation or Confederation They consider it too early to talk of such an arrangement. Declaration of such an intent might frighten away some of the countries especially the very nationalistic elements in those countries. No body in Europe therefore, even obliquely, refers to a Union or a Federation. Nevertheless, a Community has emerged and everybody acknowledges that. And the Community is beginning to pool its resources together in some ways, it has coordinated its policies in some respects and in certain cases it has taken over some of its members, national initiatives to convert them into European initiatives. This is particularly so in the economic field. This I would say is the beginning of the emergence of an entity both in economic and in political terms, whether one gives it a name or not. Economic and political relations cannot be altogether separated. They are all interwoven together. And if there is close economic integration, a political cohesion is bound to emerge In relation to third countries, the European countries are already acting together even though they have their differences. Therefore, I would say that a third force is emerging This force will be independent of the super powers, the USA and the USSR. As you might recall, the communist parties of western Europe meeting in Berlin have made it quite clear that they are Europeans first and that they would work together in a European Community independently. Therefore, I am of the opinion that the Community will like to have a voice of its own; it will be a strong economic entity and also a strong political group; it will have considerable independent military capability although it may not wish to break away from its association with the USA The arrangement really gives them extra nuclear cover without having to spend their own money for it and therefore there is no need, from their point of view, to terminate the treaty obligations with the USA. The western partnership includes Europe just as much as the USA although the latter may be the senior partner. Therefore, there is no question of European foreign policy independent of the west. However, it could acquire a slant different to that of the USA. The Community might also be able to influence the USA on occasions. This already happens.

Q. Will there be an independent, European, nuclear deterrent against the Soviet Union?

A. I would not rule out an independent European nuclear deterrent—some European countries already have nuclear capabilities—although much would depend upon what form disarmament takes. If there is some kind of arms control, the Europeans would also be a party to it.

Q. What is the Soviet attitude towards the EEC, particularly in terms of its new economic relations? For a very long time, the Soviet Union did not recognise the EEC. Now they have said that they are willing to have economic relations with the EEC as such. They have developed these relations. In fact, the EEC and the USA have given to the USSR and the east European countries credits upto $30 billion. But the Soviet Union is still not willing to allow the east European countries to have individual representatives in Brussels. Do you think that new emerging EEC and the Soviet Union could have a working relation? Or is the Soviet Union asking for economic advantages while keeping out everything else?

A. I think that the realities of the situation would dictate greater acceptance of the EEC and that the Soviet Union and the Warsaw Pact countries would deal with the EEC both jointly and severally As you have just now said, the Soviet Union has already recognised dealings with the EEC. It will not be far when individual east European countries will begin to have direct relations with the EEC. There would, thus, be on the one hand, bilateral contacts between the east European countries and the member countries of the EEC and on the other, relations between east European countries and the EEC. Even the bilateral relationship would be within the context of the EEC. You might have also heard that some of the east European countries such as Romania are already opening their doors to investments from the EEC countries. Also the Helsinki Conference estabilshed that the Soviet Union wanted to have closer contacts with western Europe.

Q. In view of the recent, interesting developments in Europe, may I bring you back to your recent visit and the relationship between the Indian Parliament and the European Parliament? I would like to ask you, what kind of relation the European Parliament has with other parliaments?

A. So far as I am aware, they have no relation with other parliaments outside the restricted circle of associated states and the USA and Canada. Relationship with the Indian Parliament, if approved by both sides, would be the first of its kind.

Q. Does it mean that relationship with other parliaments is confined to individual visits of delegations?

A. Yes; that is true. I am not aware of any institutionalised arrangement.

Q. What was the substance of your discussions with the European Parliament?

A. The basis of our discussions was the desire to strengthen the economic relations between the EEC and India.

As you are aware, the EEC has defined its policy towards its associated states, which are developing countries, as also the Lome' Convention countries but it has not so far defined its policy towards the developing countries of Asia including developing countries of the Commonwealth We were therefore keen to seek the assistance of the members of the European Parliament in accelerating the pace of the evolution of a policy towards all the non associated developing countries of which India would be one, and also in view of our special position in the developing group—both as one of the poorest among the developing countries if you go by per capita income, as well as one of the most industrialised among the developing countries if you look at the industrial base—we are in a special position vis-a-vis the EEC. So we were trying to seek their assistance in the speedy evolution of a policy and also of finding a suitable place for India in that policy.

Q. In the final analysis, it turns out that India's relations with the EEC are broadly, and fundamentally, economic. All the rest of the activities are merely to strengthen those relations. It follows that there is no possibility of developing any political or extra-economic relations with the EEC. Is this, in your view, an appropriate assessment of the relationship?

A. As I said earlier, economic relations cannot be totally separated from political relations. Good economic relations would also lead to good political relations although one may not thereby necessarily subscribe to a common ideology or form a bloc or be a part of a system as such If one is working together in the economic field, certain amount of mutual understanding develops and it could lead to consultation on matters of mutual interest

Q For the future, what kind of political relationship do you visualise between India and the EEC if the economic relations get sufficiently strengthened ?

A. I would say that if Europe emerges as an independent voice, it could come closer to the thinking of the non-aligned, especially in relation to the super power rivalry and become a moderating influence. In any case, it could contribute to widening polarity in the power structure, thereby leading to greater possibility of dialogue and understanding free from the pressures of the division of the world into two power blocs

Q. Is there anything else which you found i.e. was there any enquiry by the members of the European Parliament about the working of ou Parliament, particularly with reference to the constitutional changes which have taken place since the emergency

A They are fully aware of the working of our Parliament, and the members knew about what was happening here in the context of the emergency. Some of them asked questions about some aspects of the emergency and we explained to them the correct position They were happy to find that Parliament was fully functioning in India We said that we adopted a democratic constitution incorporating the Parliamentary type of government based considerably on the western value system and that 'emergency' was also a part of that value system. Most of the European countries—if not all of them—have gone through periods of pressures on their democracy and had to resort to emergency provisions. If they had retained the democratic structures, despite these pressures there was no reason why we should not be able to preserve our democratic structure, and bring an end to the emergency within a reasonable time. We emphasised that despite what appeared in the western Press, India was being governed by the Constitutional provisions; there was a legally elected Parliament and a government responsible to it. Of course, recourse had to be taken to the emergency which, in some ways, restricted normal functioning but the emergency provisions were also derived from the Constitution Our people, who had gone through a struggle for independence, were fully capable of preserving their freedom and their chosen way of life; therefore, normalcy would return in due course

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Gold, fish and all that

E. B. Brook

After the third gold auction by the International Monetary Fund (IMF), it is known that the IMF has made a total profit of about $184 million. Mr Brook is of the view that the profit could have been much higher but for the machinations of the speculators. It follows that the funds which the IMF will make available to the economically weak countries of the world will be much lower than what was expected earlier. Reviewing the "fishing war" between different countries in recent years, he states that after 1982 it is likely to hot up when the Common Market countries will extend the limit of national waters up to 50 miles as against 12 miles at present.

WINDOW ON THE WORLD

THE THIRD gold auction has ended without the catastrophic results for the metal's price that had been forecast in the flurry of anxious advice to the International Monetary Fund from Paris and Rome becoming justified. As usual in west Europe, anxiety for one's own interests obscured the reality that gold will always find a market and usually at a relatively acceptable price. Paris and Rome, who base their economies on gold but do not have sufficient stocks of the metal to make that policy realistic are still anxious—particularly Rome which has been obliged to make new and less advantageous arrangements for repaying in instalments the two billion dollar loan it took from the German Federal Bank to prevent national bankruptcy less than two years ago.

The IMF is sufficiently satisfied with the sales' results and with prospects for the price of gold to decide, in the face of protests, to go ahead with its programme of selling gold stocks which it regards as being in excess of requirements. The next sale will take place on October 27 and the prospect is that the sale technique will be the same as was used, for the first time, last week; at the first two auctions the "Dutch Auction" technique was used—all successful bidders were awarded the gold at the same price, the lowest the Fund found acceptable to dispose of the whole of the 780,000 troy ounces it offered for sale. At the third sale all successful—bidders—mainly from New York, London and Zurich—obtained the gold at the price they bid. The IMF is scheduled to hold its gold auctions about every six weeks until 12.5 million troy ounces have been sold. At the last sale the IMF made a profit of about $54 million, making a total profit from three gold auctions of about $184 million.

For the first time, the price accepted was about two dollars below the London closing gold price on that day—previously the accepted price was almost exactly the same as the London closing price on the day of the sale. Immediately after this third sale the price of gold rose in world markets. This fact suggests that the gold sales are beginning to fall victim to speculator interest—that speculators, anticipating the auctions will drive down the market price of gold, will drive the market price down further, sell gold they do not own in the expectation that they can replace it more cheaply later. There is undoubtedly danger that such regular sales of sizeable amounts of gold lay them open to all the many tricks of speculative buying and selling that practiced dealers have up their sleeves, to the loss of the IMF and, even more, to the countries who are supposed to be the recipients of benefits from these sales, the world's industrially and commercially developing countries. Since there are some 60 of these countries, the loss will be widely spread in expectation of benefits in addition to the world-wide uncertainties, especially in commerce, which arise from uncertainties over the price of currencies' basic valuable metal.

fragile value

The value of gold as a monetary coverage is seen clearly enough in the present-day strength of currencies that are fully or almost fully covered by gold—the Swiss and the Austrian—while those who have insufficient gold, such as Britain, weaken in currency value almost from week to week. How wise the IMF is, even with the most laudable aims, at further disturbing the fragile value of gold and upsetting its dealing value in national and world markets must remain questionable. The producers, particularly the Soviet Union and South Africa, risk loss and uncertainty—which they try to meet by holding back supplies to drive the price up—are sufferers equally with the ultimate beneficiaries, the developing countries, who are helpless in being obliged to accept far less assistance from the sales' outcome than they had reasonably expected.

Another, very different, cause for world concern, is international decisions over fishery limits. The fish trade was dramatised for some two years by the "cod war" between Britain and Iceland, with the latter emerging temporarily victorious with the help of the very fishing-minded Norwegians. Fishing, also, is part of the extremely complex world talks over the law of the sea. It ties in, as well, with world anxiety over the steadily developed naval and commercial sea power of the Soviet Union, not least in the Indian ocean.

For the Common Market area, almost all

the west European waters, the Market's Foreign ministers are expected to arrive at some decision in the middle of October. It is widely hoped they will decide on a concerted 200-mile fishing zone for each member country as its limit. A decision is urgently necessary at an early date since, among other factors, the armistice between Britain and Iceland expires on December 1. There will be complications even with the most satisfactory solution, since almost no west European state has 200 miles of water around its coasts that do not run into other peoples' waters long before 200 miles are reached; there will be complex in interlocking fishing rights and ample opportunities for disputes in an industry not remarkable for its finnesse in international relations

Of the west European states who fish almost exclusively in the Atlantic and the North Sea the biggest operator is Norway with nearly three million tonnes of fish a year, followed by Denmark with nearly two million tonnes Britain comes fourth with about 1.3 million tonnes, being preceded by Spain which hauls over 1½ million tonnes of fish out of the sea every year. Iceland, which depends on its fishing industry very heavily, is only sixth in the west European fishing league with less than one million tonnes annually.

But the biggest fishers of all are the Japanese with an annual haul of nearly 11 million tonnes, with the Soviet Union close behind with about 9½ million tonnes. China is not a bad third with nearly seven million tonnes and Peru not an inconsiderable fourth with well over four million tonnes. The USA is slightly ahead of Norway, west Europe's leader, with about 2.8 million tonnes. India takes less than Norway, with about 2.3 million tonnes of fish.

The figures are impressive, not least from the tremendous and steadily growing drain on fish life. Some species - like some animal species - are extinct already, but the hope of persuading the massive fishers, who use factory methods in fishing and fish-handling and simply empty for the time being the waters in which they operate of fish life, to reduce their hauls is almost non-existent. For both Japan and the USSR fishing is part of their empire building and possibly not unconnected with other fishy but not fishery operations.

For west Europe, the general aim is to keep boats from other countries out of key fishing grounds within 50 miles of their shores The aim is chiefly a British idea which means automatically it will attract opposition at least from the French and probably the Germans also. At present every market country has an exclusive coastal zone of up to 12 miles until 1982 but after that there would free access for all Common Market boats. Outside the 12-mile zone anybody's boats can fish. The UN is preparing a treaty which will permit all coastal states to extend their "exclusive economic zone" up to 200 miles. Until at least the end of 1977 there will be much activity by fishery interests, by governments and by the UN over the very vital subject of the world's fish supplies, and the sanctity of "national" waters.

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World economy: production up, inflation down

From the perspective of mid-1976, the Annual Report, 1976 of the International Monetary Fund (IMF) observes that the world economy has completed its first year of recovery from the most severe recession in four decades. Production in the industrial countries is again expanding at a satisfactory pace, and rates of inflation are considerably below those experienced in 1974 and in the first half of 1975. In the first half of 1976, annual rates of expansion in real Gross National Product (GNP) averaged about 6½ per cent for the whole group of industrial countries, in contrast with the decline of 1½ per cent from 1974 to 1975, following a cessation of growth from 1973 to 1974. The depressed conditions of 1974 and 1975 resulted, though only with a considerable lag, in an easing of inflation from a peak annual rate of 13 1/2 per cent in the second half of 1974 to 8½ per cent in the second half of 1975 and to seven per cent in the first half of 1976.

BY PAST standards, both unemployment and inflation remain exceptionally high for the early phase of a cyclical upswing: in most of the industrial countries, unemployment is at record levels for the present phase of the cycle, and available measures of plant capacity utilization also point (despite their many uncertainties and limitations) to an extraordinary degree of economic slack. Nevertheless, the overall rate of inflation in the industrial countries in the first half of 1976 was still very high, being twice the average rate prevailing in the 1960s. Although demand and output are not rising not fast enough to reduce unemployment and excess industrial capacity over the short term to levels considered acceptable by the authorities of most countries, the expansion is sufficiently brisk to arouse widespread concern about the risk of renewed acceleration of price increases.

The Report asserts that cautious management of aggregate demand is essential for the purpose of bringing down inflation and eliminating infiationary expectations. In this connection, it notes that a number of the major industrial countries are in the process of withdrawing some part of the fiscal stimulus that was applied during 1975 to combat the recession, and that the monetary authorities in those countries have been shifting toward somewhat more restrained provision of liquidity to their respective banking systems. The Report finds it reassuring that rates of monetary expansion in the industrial countries at mid-1976 were distinctly lower than those during the comparable phase of the 1971-73 cycle in real terms—that is, after allowance for the prevailing higher level of price increases.

However, the Report also points out that rates of monetary expansion, despite the shift toward restraint, are still in double digits in most of the industrial countries, and will need to be reduced considerably if a return to reasonably price stability is to be achieved in the next few years. Attention is also drawn to the fact that the amounts of fiscal stimulus—as distinct from the change in such stimulus—being planned for 1976 are generally still sizable, and that budget deficits remain very large in a number of countries.

In the difficult and uncertain situation thus confronting the authorities of the industrial countries, the Annual Report states, attention obviously must be given to both inflation and unemployment. Nevertheless, recent experience indicates that, unless the currently high rate of price inflation is brought down and inflationary expectations are greatly reduced, the effects of policies aimed at stimulating growth and employment are likely to be short-lived; restoration of a reasonable degree of price stability is necessary to establish a durable basis for better economic performance. Policies in the industrial countries should have the definite objective of reducing price inflation over some period of time. This would require, of course, effective restraint over aggregate demand.

adverse effects

Because of all the uncertainties involved, along with the particular risk of generating adverse employment effects, the Report says that the approach is very likely to be—and should be—a gradual one. It stresses the importance of firm adherence to such an approach, entailing a substantively different evaluation of the risks from the one typically made in the later 1960s or early 1970s, when the industrial countries tended to shade policy risks on the side of growth and employment. In today's very different environment, the Report suggests, demand management policies over the medium term ought to be based on an expansion in nominal GNP encompassing, along with the assumption of a declining rate of inflation, a rate of economic growth only marginally above the assumed rate of growth in economic capacity; otherwise, the desired reduction in the rate of inflation probably will not materialise.

In view of the great difficulty that the industrial countries may encounter in reconciling the claims of competing groups upon the national product with progress towards lower rates of inflation, the Report suggests increased attention to the use of incomes policy as a supplement to sound fiscal and monetary policies, but not as a substitute for them. Recognising that a cautious approach to demand management policies could leave the overall unemployment rate higher than past norms for some period of time, the Report also suggests that labour market and other specific measures may be needed to cushion the hardships of unemployment and to help reduce its level. Likewise noted, various measures supplementary to demand management policy could be very helpful in some industrial countries in improving supply conditions, alleviating cost pressures, and achieving higher levels of saving and investment; in this last regard, restraining the growth of the public sector over the medium term may have to be a major policy requirement.

special efforts

The Report states that, if the alternatives are pondered, the proposition that the industrial countries should give a high priority to the inflation problem will perhaps find a broad measure of agreement. Nevertheless, the medium-term outlook for world growth and trade is undoubtelly less buoyant than would have been visualised a few years ago, and this change may have particular impact on the prospects for many of the non-oil developing countries. Given the constraints under which demand management policies of the industrial countries must operate, it is suggested that special efforts by these countries to improve access to their markets would clearly be helpful in this situation.

The Report points out that both the inflation and the recession generated by cyclical developments in the industrial countries have had sharp repercussions on world trade. Primarily through the medium of changes in trade and in associated financial flows, the impact of the recession, like that of the preceding boom and inflation, has radiated outward to non-industrial countries throughout the world. The adjustments of the primary producing countries to these developments have been difficult and, in many cases, less than fully successful.

The total volume of world trade declined by some 4-5 per cent from 1974 to 1975, chiefly in reaction to the deepening and spreading of the international recession during the latter part of 1974 and the first half of 1975. Since about the middle of 1975, the direction of movement has been reversed by the cyclical recovery of import demand in the industrial countries. World trade volume rose at an annual rate of about 10 per cent in the first half of 1976, and the prices of many internationally traded commodities firmed noticeably during this period.

The Report finds that the recent restoration of buoyancy to both the volume and the prices of primary commodities is bringing a renewal of growth in export earnings of primary producing countries—shared by the oil exporters, the non-oil developing countries and the more developed countries of the primary producing group. Except for imports of the oil exporting countries, which were relatively unaffected by the substantial decline in oil export earnings from 1974 to 1975, imports of the primary producing countries are lagging behind their exports in the current upturn, as is usually the case at this stage of a cyclical recovery. But the non-oil developing countries and the more developed primary producing countries borrowed heavily abroad during 1974 and 1975, and reduced their reserves in 1975, in efforts to sustain import volume during a period of rising costs of manufactured goods, sharply increased oil and food prices, and weakness in export markets.

shrinking volume

By 1975, the volume of imports into both the less developed and the more developed countries of the non-oil primary producing group was shrinking under the pressure of external financial strains and of restraints on domestic demand for the purpose of curbing price increases and protecting balance of payments positions. Through at least the first half of 1976, these pressures and restraints prevented imports from turning upward in full parallel with the recovery of export earnings Moderate reductions of the huge current account deficits of the past two years—which in 1975 had reached $37 billion for the non-oil developing countries and $14 billion for the more developed primary producing countries—thus appear to be in process, serving to ease somewhat the problems of external financing.

The Report gives particular attention to external financing problems of the non-oil developing countries, whose foreign borrowing escalated sharply after 1973, following a long period of moderate and progressive growth of net borrowing by those countries as a group. A particularly notable feature of their recent financing pattern was the degree to which the large increase in capital inflows during 1974 and 1975 came through relatively novel channels—i.e., from sources on which the non-oil developing countries had previously relied only to a limited extent. The predominance of market borrowing, particularly from commercial banks, is an especially noteworthy aspect of this development. Because of the relatively high cost and shorter average maturity of much of the credit thus obtained (by comparison with the terms of traditional development loans), increases in debt service charges and in the amounts of gross borrowing required to finance a given current account deficit are thus clearly implied.

To date, according to the Annual Report, few countries have found the problems of servicing their external debts unmanageable. Many borrowing countries, however, have become potentially vulnerable to any significant change in their access to external credit, or to any seriously adverse shift in their export earnings. The Report notes that a moderate current account improvement is now in progress for 1976, but concludes that the prospective improvement does not alter the difficult and vulnerable external financial position in which many non-oil developing countries have been placed by the events of the past few years. The degree to which potential difficulties can be avoided will depend, in a good many individual cases, on the adoption of stabilisation programmes to adjust the balance of payments position.

a unique position

The Report observes that the major oil exporters occupied a unique position among the primary producing countries with respect to external balances in 1975. Although their export earnings were considerably reduced by the recession (as well as by oil conservation measures in the importing countries and consumer reactions to the oil price increase of 1974), most of the oil exporting countries were under little or no external pressure to deteriorated or improved significantly relative to the average. Over the three year span, the countries that experienced the largest changes in relative adjusted prices were Canada, Italy and the United States. In the first quarter of 1976 Italy and the United States had lower relative prices, after adjustment for exchange rate changes, than three years earlier, while Canada had higher relative prices.

international liquidity

The value of total official reserves (defined as official holdings of gold, SDRs, foreign exchange and reserve positions in the Fund) increased from SDR 180.3 billion at the end of 1974 to SDR 194.7 billion at the end of 1975 and SDR 202.8 billion in April 1976. The overall accumulation of reserves in recent years has been quite unevenly distributed by country groups. In fact, after the unprecedented three-year global expansion that ended in 1972, the reserves of the vast majority of countries have shown little further increase. However, the industrial countries raised their holdings by more than SDR 12 billion from the end of 1973 through April 1976, while the Fund members classified as major oil exporters added about SDR 38 billion to their reserves in that period. For all non-oil countries as a group, as well as for the industrial countries alone, the annual rate of increase for the three years 1973-75 was around two per cent, a figure much the same as that recorded for the decade preceding 1970.

The rise in the foreign exchange component has for a number of years been the largest source of reserve growth. The increase in reserves in this form in 1975 was due almost as much to the appreciation in the value of the US dollar in terms of the SDR as it was to transactions creating (or destroying) reserves; that appreciation amounted to 4.6 per cent from the end of 1974 to the end of 1975. Since the stock of foreign exchange holdings reached SDR 138 billion at the end of 1975, with at least four fifths of these holdings denominated in US dollars, the increase in the SDR value of the dollar (net of the loss in value of some other currencies in which reserves are held) is estimated to have accounted for some SDR 4.2 billion of the total increase of SDR 10.6 billion in foreign exchange during 1975. A further appreciation of over 1.5 per cent occurred in the first four months of 1976, adding perhaps SDR 1.5 billion to the reserve increase for that period.

A noteworthy role in the overall reserve increase; the Report points out, has recently been played by reserve positions in the Fund, which more than doubled in the last two years, from an aggregate of SDR 6.2 billion at the end of 1973 to SDR 12.6 billion at the end of 1975. The increment during 1975 was SDR 3.8 billion and the pace showed no sign of slackening in the first four months of 1976, when another SDR 2.2 billion was added to the total. Fund-related reserves --SDRs and reserve positions in the Fund—were approaching 12 per cent of members' total reserve holdings at the end of April 1976 as Fund borrowings under the Oil Facility reached nearly SDR seven billion.

increase in reserves

The combined reserves of the industrial countries, which had remained rather stable in the preceding two years, rose by SDR six million in 1975 and by a further SDR 3.9 billion in the first four months of 1976. The large three-year increase in reserve holdings of the major oil exporting countries as a group, already noted, reflected gains of SDR 26.8 billion in 1974, followed by a rise of only SDR 10.4 billion in 1975 as a sizable reduction in exports coincided with an expansion of that group's imports. Indeed, the reserves of at least six countries in the group declined in 1975, while only Iran, Saudi Arabia and Venezuela showed gains of over SDR 0.5 billion.

The reserves of the less developed primary producing countries other than the major oil exporters decreased by SDR 0.4 billion despite heavy use of official borrowing by members of this group to finance their payments deficits Although the decline amounted to less than two per cent of these countries' total reserves, it was the first actual reduction in any year since 1961-62. After that time, the group's holdings as a proportion of the world total went up to a peak of 16 per cent at the end of 1973, but dropped back to 13 per cent at the end of 1975. The official reserves of the more developed primary producing countries declined in both 1974 and 1975; members of this group also engaged in a substantial amount of foreign official borrowing. From a high point of nearly SDR 20 billion at the end of 1973, their aggregate reserves dropped to SDR 15.3 billion two years later.

In reviewing the adequacy of global reserves, as required by Section 10 of the by-laws of the International Monetary Fund, the Report emphasises that it is now more difficult to apply the concept of adequacy of global reserves than it was in the 1960s when it was first formulated. At that time quantitative assessment of changes in the need for reserves was based in part on the behaviour over time of the ratio of global reserves to imports and in part on other factors and considerations, including the historical growth trend of global reserves and the changes in the size of aggregate payments imbalances. In order to arrive at a judgement with respect to the degree of reserve ease or stringency, two approaches were pursued: first, the estimated reserve need was compared with the supply of reserves, with due regard to the effect of any marked shift in reserve distribution; and, second, an evaluation was made of elements that were considered direct manifestations of changes in reserve ease, such as variations in the use of import restrictions, policies on foreign aid, the balance of exchange rate devaluations and revaluations, and the reliance on external borrowing to finance balance of payments deficits.

steady growth

This method of assessing the adequacy of reserves reflected an international economy in which global reserves had grown steadily, yet moderately, at a rate somewhat below the growth rate of world trade; in which payments imbalances, though varying considerably in the shorter run, had shown only a modest upward trend over the years and were typically in large part financed through the use of reserves; and in which general adherence to an exchange rate system based on par values permitted as inference to be drawn with respect to reserve adequacy from the predominant direction and frequency of exchange rate changes. In these circumstances it was plausible to assume that reserve needs would continue to rise in correspondence with, though not necessarily in exact proportion to, payments imbalances or imports.

large variations

In the present circumstances, however, considerable variation can be expected in the relation between reserve needs and imports, both among countries and over time. One reason for this, says the Report, is that imports may constitute a less adequate proxy for total international transactions than before if, as is widely held (although precise statistical confirmation is not available), the volume of capital flows has, over the years, increased faster than trade, at least for many of the larger countries. On the other hand, the balance between financing and adjustment of payments disequilibria has shifted, although not uniformly for all countries, so that aggregate payments imbalances are likely to be smaller relative to the volume of international transactions than they would have been if, with the magnitude of payments disturbances given, the world economy were still functioning under the Bretton Woods par value system. At the same time, many countries have come to rely to a greater extent on international borrowing to finance external deficits and, therefore, tend to rely less on the use of reserves, in many instances, because the authorities felt that the reserves were at a level that should not be reduced.

Nevertheless, the Report notes, most Fund members continue to peg their currencies to one of several major currencies, to the SDR or to a similar composite and their reserve needs in relation to expected external imbalances have probably not changed significantly from what they would have been under the Bretton Woods par value system, except insofar as there may now be a greater readiness to alter the peg in response to exchange market or balance of payments developments and to make use of the more ample international borrowing facilities to which most though not all, of these countries have access.

The currencies of a number of countries (about 30 countries with 73 per cent of world reserves at the end of 1975), including those of the largest Fund members, are floating, however, and their need to hold reverves for the purpose of financing future balance of payments deficits is likely to be smaller than it would be if these countries still adhered to a par value system. However, the Report states, it is difficult to gauge the extent to which floating diminishes the need to hold reserves, especially since many countries with floating currencies typically find it desirable to intervene in the foreign exchange market, some at times heavily.

Snake arrangement

Participants in the European Common Margins Arrangement as of mid-1976 (accounting for 22 per cent of world reserves at the end of 1975) are classified as having floating currencies ; nevertheless, transactions within the group of participants imply reserve needs similar to those of countries with pegged rates, and the reduction in their overall reserve needs as a result of floating should be expected to be commensurate with the volume of their transactions with countries outside the Common Margins Arrangement rather than with that of all transactions. For the smaller participants, moreover, imbalances in transactions with outside countries may also result in pressure on the common margins and thus require use of reserves.

The Report calls attention to three functions of international reserves financing future deficits. First, even when besides imbalances are intended to be financed largely by compensatory external borrowing and repayment, reserves may still be needed in order to contribute to the maintenance of market confidence and international creditworthiness. Second, countries with floating currencies may wish to hold reserves that are larger than presently required for the conduct of foreign exchange market intervention in order to be prepared for contingencies. Third, countries that have recently experinced large balance of payments surpluses may hold part of their foreign exchange reserves as a temporary placement of these surpluses pending their long-term investment.

The Report notes that, although the relationship between countries, reserve needs and imports, for all the foregoing reasons, has undergone significant change; in the new circumstances, the level of imports taken as representative of external transactions is one useful indicator of the scale of reserve needs, especially during a period of rapidly rising values of international transactions. For all major country groups, except that of major oil exporting countries, these ratios were on the average much lower in 1974 and 1975 than they had been in the preceding years. This decline can be ascribed to the rise from 1973 to 1974 in the value of world imports (measured in SDRs) by 47 per cent, followed by an increase of only four per cent from 1974 to 1975, while the yearly average level of world reserves went up during these periods by about 10 per cent and 13 per cent, respectively. As a result, the average ratio of reserves to imnorts for the world as a whole fell from 34 per cent in 1973 to 26 per cent and 28 per cent, respectively, in 1974 and 1975.

temporary placements

Reserve holdings of oil exporting countries as a group relative to the level of their imports have been higher than the world average and the average of any other major group throughout the last decade. The increase in their reserves in 1974 and 1975 has no doubt further enhanced their reserve ease. However, in many of these countries, economic policy has sought to induce rapid balance of payments adjustment ever since the first appearance of large current account surpluses and rising reserves in 1974. For many oil exporting countries, this adjustment has progressed to the point where reserves are no longer rising, or even falling. At any event, at least part of their reserve holdings must be regarded as temporary placements, and subsequent investment of these funds in other assets, even though some of them may still be highly liquid, would result in a decline in the ratio of reserves of imports.

The industrial countries as a group showed a substantially lower ratio of reserves to imports in 1974 and 1975 than they had during the entire post-war period. This is largely the result of a reduction in the ratios for a number of large countries with independently floating currencies, particularly the United States. However, even if the United States is excluded, the general pattern of movement in the group's ratio is unchanged. The non-oil primary producing countries experienced ratios that were substantially lower than those of the early 1970s and lower, too, than the ratios of the latter part of the 1960s. Although the 1975 ratio for this group was slightly above that of the industrial countries, it may nevertheless represent a greater degree of reserve stringency since this group contains for the most part countries with pegged exchange rates, as well as many countries with limited access to international capital markets.

As noted earlier, the distribution of reserves among countries affects the degree of global reserve ease afforded by a given volume of reserves. In this connection, it is relevent that, while global reserves grew by one-third from the end of 1973 through April 1976, the reserves of non-oil primary producing countries did not show any net increase at all during this period. During 1974 the entire global increase accrued to the major oil exporting countries; in 1975 and the first four months of 1976. It was shared approximately equally by oil exporting and industrial countries The substantial recent growth in world reserves should, therefore, be judged to have added less to the degree of global reserve ease than it would have done if it had been more evenly distributed among countries.

Quantitative assessment of the adequacy of reserves is made particularly difficult by the uncertainty surrounding the proper valuation of gold holdings. The difference between the market price of gold and the price at which it is carried in the accounts of most central banks points to a greater degree of reserve ease at present than might be inferred from reserves data based on the official gold price—an observation applying particularly to countries that hold a large part of their reserves in the form of gold. This conclusion, however, is subject to the important qualification that gold may in present circumstances be a less liquid asset than other components of reserves.

A factor continuing to exercise a positive influence on the degree of reserve ease, the Report adds, is the adaptability of the supply of reserves to demand. Widespread floating of exchange rates and the possibility of financing balance of payments deficits through official borrowing do not merely reduce the demand for reserves, as noted earlier, but also facilitate the acquisition of owned reserves, when needed, or the reduction of reserve holdings that are deemed to be excessive. In some circum-

TABLE I

Growth of World Output : 1960-75

(Percentage changes in real GNP or GDP)

	Annual average[1]			Change from preceding year				
	1960-70	1960-65	1965-70	1971	1972	1973	1974	1975
Industrial Countries	4.8	5.1	4.5	3.7	5.7	6.0	—	—1.5
Canada	5.2	5.6	4.8	6.5	5.9	7.2	3.2	0.6
United States	4.0	4.7	3.1	3.0	5.7	5.5	-1.7	-1.8
Japan	10.8	10.0	11.6	7.3	9.1	9.9	-1.2	2.0
France	5.7	5.7	5.6	5.3	5.7	5.8	3.8	-2.5
Germany, Federal Republic of	4.9	5.0	4.8	3.0	3.4	5.1	0.4	-3.4
Italy	5.7	5.2	5.9	1.6	3.1	6.8	3.4	-3.7
United Kingdom	2.7	3.2	2.2	2.0	3.1	5.5	-0.1	—1.7
Other industrial countries[2]	4.8	5.0	4.6	3.4	4.3	4.4	3.5	—1.8
Primary Producing Countries	5.6	5.3	5.8	5.4	5.5	6.8	5.6	3.5
More developed[3]	5.8	5.9	5.8	5.7	5.6	6.2	4.0	1.6
Less developed[4]	5.5	5.1	5.8	5.3	5.4	7.1	6.2	4.2
World[5]	5.0	5.1	4.8	4.1	5.7	6.1	1.1	—0.5

Sources: National Economic Reports, IMF Data Fund, Secretariat of the United Nations, US Agency for International Development, International Bank for Reconstruction and Development, and Fund staff estimates.

[1]Compound annual rates of change. [2]Austria, Belgium, Denmark, Luxembourg, the Netherlands, Norway, Sweden and Switzerland. [3]Comprise Australia, Finland, Greece, Iceland, Ireland, Malta, New Zealand, Portugal, Romania, South Africa, Spain, Turkey and Yugoslavia. [4]Comprise Fund member countries not listed above as "Industrial countries," or as being "More developed" (footnote 3, above). In some of the other tables the less developed countries are subdivided to distinguish the "major oil exporters" (Algeria, Bahrain, Indonesia, Iran, Iraq, Kuwait, the Libyan Arab Republic, Nigeria, Oman Qatar, Saudi Arabia, the United Arab Emirates and Venezuela) and "other developing countries" (or "non-oil developing countries"). [5]Fund member countries plus Switzerland.

stances, a country with a floating exchange rate that finds its reserve holdings insufficient may raise them by intervening more strongly in the exchange market as a purchaser of foreign exchange whenever its exchange rate tends to appreciate and less strongly as a seller when it depreciates. Again, a country may borrow in the international capital market not only to finance an existing balance of payments deficit, but also to add to the level of its reserves; since these reserves can in turn be placed in the capital markets, the net interest cost of holding them may be small. However, because of the greater use of short-term borrowing to finance deficits, net reserves have for many countries developed much more unfavourably than gross reserves.

In sum, it is very difficult to make a quantitatively accurate assessment of shifts in the adequacy of global reserves over the past several years in view of the substantial changes that have occurred in exchange rate arrangements, in countries, readiness to borrow in private capital markets, and in the availability of public and private funds for international borrowing. Also important in this regard is the special character of the sharp build up that has taken place in the reserves of some of the oil exporting countries. Indeed, because of these developments, the concepts of "global reserve need" and "adequacy of reserves" have suffered in precision, especially in the present situation in which world monetary relations are undergoing rapid change.

Nevertheless, certain aspects of the situation relating to international reserves merit attention. First examination of the relevant data suggests that there was no marked change in the degree of reserve ease from 1974 to 1975 This conclusion derives mainly from the fact that the relationship between reserves and imports did not show substantial change for non-oil member countries as a group. In most of these countries, reserves were relatively flat at a time of little or no increase in the volume of imports because of the international recession. This situation, however, is now changing; with economic recovery in the major industrial countries having begun during 1975, world trade activity is once again in an expansionary phase.

Within the broad category of non-oil member contries, assessment of reserve adequacy is perhaps least difficult for the primary producing group, which have not for the most part resorted to floating. The reduction in the ratios of reserves to imports that has occurred in the past few years would seem to reflect some decrease in reserve adequacy. In this connection, indication of need to conserve official reserves may be found in the resort by these countries to greater use of import controls and other restraints, albeit not on a large scale, on current transactions. It may also be significant that in the past year the non-oil primary producing countries as a group chose to finance their

TABLE II

Price Increases in Developed Countries : 1960-75

(Pecentage change in GNP deflators)

	Annual average[1]			Change from preceding year				
	1960–70	1960-65	1965-70	1971	1972	1973	1974	1975
Industrial Countries[2]	3.4	2.6	4.2	5.4	4.8	7.3	11.8	10.8
Canada	3.0	1.9	4.1	3.1	5.0	9.2	14.3	10.7
United States	2.7	1.4	4.1	5.1	4.1	5.8	10.0	9.3
Japan	5.1	5.1	5.1	5.4	4.8	11.6	20.7	7.3
France	4.3	4.1	4.4	5.6	6.1	7.3	11.6	12.6
Germany, Federal Republic of	3.5	3.6	3.4	7.9	5.9	5.7	6.8	8.2
Italy	4.4	5.5	3.5	7.1	6.2	11.9	16.2	17.4
United Kingdom	4.3	3.6	5.0	8.9	8.0	7.8	12.9	27.6
Other industrial countries[2],[3]	4.5	4.4	4.5	7.2	7.3	7.7	9.8	10.7
More Developed Primary Producing Countries[2]	4.8	4.7	4.9	8.4	8.2	11.8	16.7	16.7
Australia	2.9	2.2	3.6	6.5	7.6	12.0	17.0	15.5
Spain	5.8	6.6	5.0	7.4	8.9	11.5	13.9	16.3
Other countries[2],[4]	5.2	5.0	5.4	9.8	8.1	11.9	18.0	17.5

Sources: National Economic Reports, IMF Data Fund, and Fund staff estimates.

[1] Compound annual rates of change. [2] Average of percentage changes for individual countries weighted by the US dollar value of their GNPs at current prices in the preceding year. [3] Austria, Belgium, Denmark, Luxembourg, the Netherlands, Norway, Sweden, and Switzerland. [4] Finland, Greece, Iceland, Ireland, Malta, New Zealand, Portugal, South Africa, Turkey and Yugoslavia.

BOOKS BRIEFLY

Restructuring development banks

Reviewed by **Academicus**

Development Banking in India—With Special Reference to State Level Institutions: Karnataka ; S. L. N. Simha, Institute of Financial Management and Research, Madras; pp 340; Price Rs 55.

Impact of Science and Technology : Colonel R. Ram Rao (Retd); Economic and Scientific Foundation, New Delhi; pp 98; Price Rs 15.

How It All Began : W. W. Rostow; Methuen & Co. Ltd., England; pp 264; Price £ 2.90.

Sources of Variation in Agricultural Productivity : Sudhir K. Mukhopadhyay; The Macmillan Company of India Ltd; pp 121; Price Rs 40.

Surplus Labour and the City—A Study of Bombay: Heather & Vijaya Joshi; Oxford University Press; pp 189; Price Rs 45.

Dyestuffs Industry in India : J. H. Doshi; Sevak Publications, Bombay; pp 194; Price Rs 20.

Development Banking in India—With Special Reference to State Level Institution: Karnataka, is the outcome of a consultancy assignment entrusted to the author by the Karnataka State Financial Corporation (KSFC). What is of significance is that S. L. N. Simha has given a detailed account of KSFC against the general background of development banking in the country as a whole.

A development bank is a financial institution engaged in providing medium and long-term assistance to business enterprises in the form of loans, underwriting, investment and guarantee operations. A development bank as conceived at present is expected to do something more than mere provision of credit. It is expected to act as a catalytic agent in promoting economic development by initiative and services in other spheres such as discovery of new investment projects, undertaking the preparation of project reports, provision of technical advice and management services and, on occasions, even establishment and management of industrial units.

It is found that development banking, according to the author, is essentially a phenomenon of the post-World War II

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nd which the author has analysed with certain amount of details, he proceeds to analyse the working of the Industrial Finance Corporation of India (IFCI) and the several state financial corporations (SFCs). This is followed by a detailed account of the functioning of the Karnataka state financial corporation—its achievements, problems and the directions in which the KSFC should be restructured to enable that institution to play a more dynamic role in the industrial development of the state. The author feels that what is said about KSFC holds good, more or less, in respcst of most of the SFCs and hence the significance of this book to the general readers.

Analysing the all-India developmental institutions such as IFCI, ICICI, IDBI, the Industrial Reconstruction Corporation of India (IRCI), as also LIC and the Unit Trust of India, the author has rightly concluded that there has been a marked expansion of developmental banking facilities in the country after independence. The above institutions have done much to provide funds for the rapid industrial growth in the country. In the case of new industrial units, especially those involving large capital outlays, a very substantial part of the project cost has been supplied by these financial institutions. Besides providing finance, these developmental financial institutions have embarked on promotional activities. They have also been making afforts to raise standards of corporate management and improve technology of projects.

removal of defects

What is more important, the author has drawn attention to some of the defects which have crept into these institutions such as delays in sanctioning assistance, failure to develop a capital market, and so on. Though the progress of development banking has been remarkable, the author is of the opinion that "the time has come when the existing arrangements should be reviewed and restructuring done so as to realise the objective of rapid industrial development on an enduring basis.

As regards the state financial corporations (SFCs), the author is of the opinion that "they have started doing good work." In recent years, there has been a marked expansion of their lending activities. This has also brought SFCs face to face with the many difficulties arising from providing term finance. In particular, there is need to strengthen their organisation and operational efficiency. They must steer the middle course between financial conservatism on the one hand and excessive concentration on lending activity disregarding basic canons of project evaluation on the other. The fairly large magnitude of defaults should cause concern, while at the same time delays in sanctioning and disbursing assistance, especially in meeting the needs of small and new entrepreneurs, should be removed. The SFCs are also experiencing paucity of funds. This aspect must be attended to. The author has also emphasised the necessity of strengthening and diversifying the staff, providing adequate training to them, giving them reasonably good emoluments and delegation of a fairly large measure of authority to the staff by the SFCs and to the SFCs by the state governments. Also, political interference in the affairs of the SFCs must be resisted. This can be done, according to the author, by having broadbased board of directors headed by an experienced and independent-minded chairman-cum-managing director. "The SFCs must be regarded as major development financial institutions..."

Naturally in this book the functioning of the Karnataka State Financial Corporation (KSFC) has received very detailed treatment. The author has pointed out that KSFC has made phenomenal progress in recent years. The progress of the KSFC compares favourably with that of other SFCs generally. However, organisationally the KSFC, like SFCs generally, is not equal to the task of handling efficiently growing volume of business. The author has recommended immediate strengthening of the organisation of the KSFC to enable that institution both to consolidate the progress already made and to prepare itself for shouldering larger responsibilities in future.

recommended steps

The immediate steps recommended by the author are recruiting of additional staff at higher levels (such as engineers, chartered accountants, management experts, financial analysts, etc., etc.), creation of seperate wings (like projects wing, operations wing and personnel wing), enlarging staff at the branch level and entrusting them with the task of appraisal and follow-up work of application, and securing additional funds which must be made available by the Reserve Bank and the state gevernment. The author is of the opinion that since the KSFC made in 1974-75 a pre-tax profit of Rs 52 lakhs (and after-tax profit of Rs 33 lakhs), the institution is in a position to easily bear the additional expenditure on expansion of staff.

The book has given a critical account of the functioning of developmental banking and financial institutions in the country and specially of the KSFC. The constructive suggestion are of special value as they would lead to improvement in the operational efficiency of these developmental institutions. As the author was intimately connected with some of these institutions, the analysis carries the stamp of authority.

Among the developing countries, India has made tremendous progress since Independence in providing financial infrastructure facilities and yet there is much that can and should be done to improve the functioning and efficiency of these institutions which can easily become an effective instrument of rapid industrial development in the country.

IMPACT OF SCIENCE

It is now realised that science and technology, if used with proper motivation, can secure an orderly, healthy and timely solution of many problems which the growing population of the world and gradually diminishing resources pose for mankind.

The industrial civilisation created by man has been brought about through the instrumentalities of science and technology. Those nations which started this quest earlier are naturally far ahead on the road of material progress compared to those nations which have been late in the start. And yet because of the progress and spread of communication technology, it is possible for developing countries to make up, at least to some extent, for the lost time and "chart their own paths of progress and development, in the light to their own social problems and the resources in materials and manpower that they can readily harness, so that they may not lag far behind in the race for achievement and development."

Impact of Science and Technology focuses attention on some likely technological developments in the future, on problems that such developments may bring in their train, and on opporunities that developed as well as developing countries would have in furthering their advancement. Specifically, it is well-known that there are several areas where science and technology would need to be utilised on a massive scale so as to enable the country to provide growing population with the minimum needs of food, clothing, shelter and other creature comforts. In India many basic problems su as water and land management, afforest tion, desert reclamation, prevention soil erosion and salination, desilting waterways, flood control, training a diversion of rivers, exploitation and co servation of mineral resources are demanding speedy and satisfactory sol tion and this is going to require resortin on a big scale to science and technolog The author has rightly emphasised th we in India have yet to develop a country wide scientific approach to solve our accumulated problems as well as those o daily life.

Having traced the growth of science and technology since the first industrial revolution in Britain in the middle of the 18th century, the author has drawn attention to some of the recent scientific and technological advances—electronics, nuclear energy, material technology, aerospace or rocket technology, chemical technology, underwater technology, biological or life sciences, plant breeding and technique-development (which includes such things as operational research techniques, project management techniques, information processing, input-output analysis and so on).

technical innovations

What is more interesting is the list drawn by the author of 100 technical innovations likely to appear on the scene before the end of the present century—extremely high-temperature materials, super performance fabrics, longer-range weather forecasting, extensive expansion of tropical agriculture and forestry, new sources of power, new methods of water transportation, major reduction in hereditary and congenital diseases, new techniques of preserving environment, effective appetite and weight control drugs, improved uses of oceans (for example for mining, controlled farming, source of energy, etc.), more automated housekeeping, use of nuclear explosives for mining and generation of water, control over weather, new techniques of education and propaganda affecting human behaviour, new, cheaper and more effective methods of birth-control, genetic control, synthetic foods, more extensive transplantation of human organs, permanent manned satellite, grea-

This is only an announcement and not a

MAFATLAL INDUST

(Incorporated on 20th January, 1913 under the Indian C

Registered Office: Asarwa Road, Ahmedabad-380 016. *Head Office:* Mafatlal

The announcement is regarding Public Issue of 47,706 Equity Shares of Rs.

HISTORY AND BUSINESS OF THE COMPANY:

The Company was incorporated in the year 1913 in the name of "The New Shorrock Spg. & Mfg. Co. Ltd." The name of the Company has been changed to "Mafatlal Industries Ltd." from 24th January, 1974. The Company has Textiles Division with Mills at Ahmedabad and Nadiad and Chemicals Division with a factory at Poona. The Company owns immovable properties at Bombay and it also holds investments.

OBJECT OF THE PRESENT ISSUE:

The Company is desirous of implementing the programmes for the production of Dyes for Acrylic Fibres and Intermediates at Poona and at Dewas in the backward area in the State of Madhya Pradesh. The total cost of these programmes is estimated at Rs. 575 lacs which will be partly met with by this Issue and partly from the internal generation of funds and deferred payment facilities.

By the issue of 85,436 Equity Shares (37,730 Equity Shares by way of Issue of Right Shares to the Shareholders of the Company, other than Mafatlal Group, and by the present Public Issue of 47,706 Equity Shares), the holding of the Mafatlal Group in the Company would stand reduced to 47% of the increased Capital of Rs. 6,75,00,000/- divided into 5,40,000 Equity Shares of the Company

PROSPECTS AND PROFITABILITY:

Based upon the past performance of the Company and in view of the future programmes, the Directors expect that, barring unforeseen circumstances, the net profits to be earned by the Company would be sufficient to enable payment of a reasonable Dividend on the increased Equity Capital of the Company.

SHARE CAPITAL:

		Nominal Value Rupees
AUTHORISED:		
6,00,000	Equity Shares of Rs. 125/- each	7,50,00,000
2,00,000	Unclassified Shares of Rs. 125/- each	2,50,00,000
	TOTAL	10,00,00,000
ISSUED, SUBSCRIBED AND PAID-UP:		
4,54,564	Equity Shares of Rs. 125/- each fully paid-up	5,68,20,500
37,730	Equity Shares of Rs. 125/- each for cash at a premium of Rs. 125/- per share are being issued to the existing Shareholders (other than Mafatlal Group) as Right Equity Shares	47,16,250
PRESENT ISSUE:		
47,706	Equity Shares of Rs. 125/- each for cash at a premium of Rs. 125/- per share are being issued for Public Subscription by Prospectus	59,63,250
The above will result in a total Share Premium of:		1,06,79,500

APPLICATION AND TERMS OF PAYMENT:

Application for the Shares must be for one or more Equity Shares and the full amount at the rate of Rs. 250/- (inclusive of premium of Rs. 125/-) per Equity Share shall be payable on application.

BOARD OF DIRECTORS:

Shri Arvind Navinchandra Mafatlal
10, Altamount Road, Bombay-400 026.

Industrialist.
Chairman & Managing Director (Senior President)

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Polyolefins Industries Ltd.
The Mafatlal Fine Spg. & Mfg. Co. Ltd.
Hoechst Dyes & Chemicals Ltd.
National Machinery Manufacturers Ltd.
Mihir Textiles Ltd.

Director of:
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The Bombay Burmah Trading Corpn. Ltd.
and other Cos.

Shri Yogindra Navinchandra Mafatlal
10, Altamount Road, Bombay-400 026.

Industrialist
Vice-Chairman

Chairman and Director of.
Indian Dyestuff Industries Ltd.
Managing Director (President)
Mysore Commercial Union Ltd.
TAK Machinery Ltd.
Commerce (1935) Ltd

Director of:
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The Standard Mills Co. Ltd.
The Mafatlal Fine Spg. & Mfg Co. Ltd.
The Associated Cement Companies Ltd.
Anil Starch Products Ltd.
Kothari (Madras) Ltd.
Mahindra & Mahindra Ltd
and other Cos.

Shri Pramukhlal Manilal Patel
Near Gulbai Tekra, Ellisbridge,
Ahmedabad-380 015.

Businessman.

Shri Laxmanprasad Damodardas Vasa
Bhalvi, Camp Road, Shahibaug,
Ahmedabad-380 004.

Industrialist.
Managing Director (President)

Director of:
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The Mafatlal Fine Spg. & Mfg. Co. Ltd.
Mihir Textiles Ltd.
Shri Ambica Mills Ltd.
The Ashoka Mills Ltd.
The Nutan Mills Ltd.
Mysore Commercial Union Ltd.
and other Cos.

Shri Siddharth Kasturbhai
Pankore Naka,
Ahmedabad-380 001.

Industrialist.

Director of:
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The Ameer Trading Corpn. Ltd.
The Aruna Mills Ltd.
The Ashoka Mills Ltd.
Cibatul Ltd.
Cyanamid India Ltd.
The Atic Industries Ltd.

Shri Rasesh Navinchan[illegible]l
10, Altamount Road, B[illegible]026.

Industrialist.

Chairman and Director o[illegible]
The Standard Mills Co. Ltd.
Managing Director (President).
Rexroth - Maneklal Industries Ltd.

Director of.
National Organic Chemical Industries Ltd
The Mafatlal Fine Spg. & Mfg. Co. Ltd.
Mihir Textiles Ltd.
Indian Dyestuff Industries Ltd.
SLM Maneklal Industries Ltd.
National Machinery Manufacturers Ltd.
Binny Ltd
Automobile Products of India Ltd.
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Solid Containers Ltd.,
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Ramnivas, Ellisbridge,
Ahmedabad-380 006.

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Rajesh Textile Mills Ltd. *(Managing Dire*
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Gujarat Industrial Investment Corporatio

Director of:
Ahmedabad Electricity [illegible]d.
Camphor and Allied [illegible]td.
Tarun Commercial [illegible]
Garware Nylons Ltd.[illegible]
Shri Ambica Mills L[illegible]
New Rajpur Mills C[illegible]nd other C

Shri Jayantilal Damodardas Vasa
E-10, Sea Face Park, Bhulabhai Desai Ro
Bombay-400 026.

Business Executive.

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quity Shares of Rs. 125/- each at a premium of Rs. 125/- per share

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The Subscription List will open at the commencement of banking hours on Monday the 11th October, 1976 and will close at the close of banking hours on Friday the 15th October, 1976 or earlier at the discretion of the Board of Directors, but not before the close of the banking hours on Wednesday the 13th October, 1976.

ter use of underground buildings, large-scale desalinisation, low-cost buildings, longer-lasting battery-operated TV sets, inexpensive world-wide transportation of humans and cargo, genetice control of plants and animals etc., etc. These are some of the mind-boggling echnological developments which are likely to take place in the developed countries before the end of the present century!

The implications of the above likely developments are very clear. It shows the rends in which technology is advancing in some of the developed countries. Secondly, it also shows how in years to come the technological gap between the developed and developing countries is likely to grow, unless the latter make rantic efforts to catch up with the deveoped countries. The economic implicaion of such a widening technological gap s that by 2000 AD the projected per apita income in the developed countries would be around $12,000 a year against possible $700 a year in the developing world. The political implications of ever-widening economic disparities are too rightful to imagime !

India, despite various limitations, has built up a fairly broad-based infrastructure -a sizable body of scientists, engineers, echnologists and skilled workers. In spite f severe lacunae in the Indian educational ystem, a large number of scientists and ngineers are being trained every year . chain of national laboratories has been uilt up as also research establishments overing areas of advanced technology uch as aeronautics, electronics, nuclear nd space sciences. Agricultural sciences ave been also receiving due attention.

neo-classical development

The author rightly feels that the neo-assical mode of development based on nport of foreign technology and of ipital goods is unlikely to enable us to chieve a breakthrough in our fight against overty and much less to take-off and tain either rapid industrialisation or onomic development.

In the face of rapidly increasing population, India will have to make an all-out fort to introduce and popularise modern chnology to accelerate growth in the agricultural and industrial sectors. But the scientists and technologists in India will have to take note of the prevailing situation in the country when evolving appropriate technology for agriculture and industries. The vast amount of labour power in the country as also low level of mass education will have to be taken note of while evolving technology that is appropriate to situations in India. Outright borrowing of the latest technology from the west will create more problems for India than solving them. According to the author, it is a big challenge before the Indian scientists and technologists and the measure of our greatness will depend upon the success with which we will meet the challenge. Developments in the scientific and technological fields in India in recent years make us hopeful that Indian genius will rise to the occasion and effect a successful breakthrough in the near feature

immediate tasks

Some of the immediate tasks before the Indian scientists and technologists, according to the author, are to find solution to some of the urgent problems such as production and proper use of fertilizer, processing and utilisation of town refuse and sewage, harnessing, conserving and power utilisation of our water resources, finding better soil-nutrients, seeds and quickly maturing plants, proper soil analysis, devising cheap and effective measures for crop protection and their storage, afforestation, finding new sources of energy such as solar, wind, tidal power and hydro-electric potential, and cheap, effective and acceptable means of population control. While having a long-term perspective, the Indian scientists and technologists will have to concentrate their attention on the above urgent problems which are staring the country in the face.

The author has succeeded in giving the general readers a grand panoramic views of the scientific and technological developments which are taking place in the world today and are likely to take place in the last quarter of the present century and how India should move in the field of science and technology so that she comes to occupy a rightful place in the emerging world.

EUROPEAN MIRACLE

What were the factors that sparked economic growth in England and later on in other European countries resulting in more than two centuries of self-sustained economic growth ? Why did not this self-sustained economic growth take place in pre-modern societies, though at one time or other they had to their credit some really marvellous achievements in the material sphere? For example, why did Greek or Roman or Babylonian, tian or Hindu civilisations all in ancient times had some achievements even in the field and technology *fail* to generate and s economic growth and development comparable to the development that took place for the first time in west European countries since the latter half of the 18th century? Such an analysis should naturally be a matter of the greatest interest to developing countries which are struggling to bring about economic development for the first time in the modern period.

In *How It All Began* the author raises the question : "Was self-sustained growth blocked in pre-modern societies by a lack of interest in material things, religious beliefs, systems of slavery and feudalism, excessively narrow and impoverished markets, scientific ignorance, the lack of a commercial middle class or what?"

According to the author, in one sense, the answer is simple and obvious. What distinguished the world since the industrial revolution from the world before is the systematic, regular, and progressive application of science and technology to the production of goods and services. The pre-modern world was not without its scientists, inventors and administrators and creative talents. But these, according to the author, were sporadic. "The ceiling would be lifted—and was—by elements of technological advance and innovation, but it would not be lifted regularly. Therefore constraints operated on levels of agricultural production, outp and employment in urban industry, population that would be sustained, taxable income, and on the consequent capacity of governments to carry forward their objectives." These above-mentioned factors either singly or in various combinations came in the way of self-sustained growth for long periods.

The author has elaborated this point by taking illustrations of early Greece, China, India and other ancient civilisations which collapsed sooner or later instead of carrying forward over long stretches of time sustained growth. The author concludes that "the decisive formal weakness in traditional societies was—lack of innovators, of man moved mic and other incentives or per- ictively to seek changes in techno-

fundamental answer

The fundamental answer lies "primarily in the world of idea". Beyond weaponry, the links of science to technology and productive invention were few This was so because "traditional culture lacked the Baconian perception that there might be advantage, to state and man, in forging that linkage." It was the mental and cultural attitude. According to the author, the critical failure of traditional societies was conceptual. Science did not teach those with access to resources that physical world could be understood in ways that permitted it systematically to be transformed to their advantage. More passive and fatalistic views of man's relation to the physical world therefore revailed.

Tracing the origins of modernisation in Europe, the author has rightly emphasised mercantilism which in the main paved the way for the process of industrialisation that was soon to begin. Mercantilism brought about improvement in internal communication, gave direct and indirect encouragement to handicraft industries and to mining, made special efforts to achieve an autonomous economic base for armed forces (guns, explosives, uniforms, ships, etc, etc), took measures to make provision of adequate food ly, took measures to expand supply ublic revenues and measures to im- ve the quality of public administration. Above all mercantilism by establishing unity in states in the place of old feudalistic social disorder provided expanding markets for various products without which foundations of modern industries could not have been laid. There is no doubt that merchantilism (also known as commercial capitalism) carried within its womb the seeds of modernisation and laid its firm foundations in Europe. Commercial revolution with its expanding international trade provided expanding national and international markets which provided great stimulu's to the scientific breakthrough. The author's contention is that "the scientific revolution, in all its consequences, is the element in the equation of history that distinguishes early modern Europe from all previous periods of economic expansion."

For once the author has adopted in this book a rambling style attempting to bring together different strands at one and the same time in his argument. The consequence has been that the reader is left guessing as to the answer to the main question, namely what causes the process of modernisation. This may be so, because as the author himself has pointed out, all theories regarding man and the phenomena in which he is involved are necessarily over-simplifications. And therefore such theories however necessary are thoroughly inadequate to explain satisfactorily the beginnings or origin of any social phenomenon. Causes and their consequences get mixed, both perpetually moving in a circle. Unfortunately therefore the vague impressions as to what causes the beginning of the process of modernisation with which readers begin when they start reading the book persists throughout the reading. The reader is left with vague impressions when he completes the reading of the book.

vital question

Incidently the reading of this book raises a very vital question regarding India in the minds of readers. It is well-known that there was a time in the distant past when India was at the pinnacle of glory with trade-links with Egypt, Babylonia, Greece, Rome, China and practically the whole of south-east Asia, when most of the European countries were in semi-civilised or even barbarian state. Why is it then that the west European nations who joined the race pretty late surged ahead of India which to this day continues to be an economically backward state? Why did not the process of mode nisation begin in India when it began i Europe, though India had a lead over th former? What were the factors that no only halted her material progress bu actually hindered her further progress Was it our geography? Or history? O religion? Or our philosophy? At wha point did the progress halt? These ar vital questions satisfactory answers t which must be found, if the process o modernisation in India is to be quickened It is a pity that no worthwhile research has been made so far in India in this field Would some Indian scholar take it up?

INPUT-OUTPUT RELATIONSHIP

S. K. Mukhopadhyay has made ar attempt in his book *Sources of Variation in Agricultural Productivity* to analyse agricultural production in India within a general framework with emphasis on various sources which are responsible for differences in agricultural output among regions and over time. In more specific terms, the main purpose of this study is "to analyse the effects on crop output of measured inputs, regional constraints and weather factors in wheat regions of India."

It is generally accepted that absence of knowledge about definite relationship between changes in factor inputs and the growth of output has posed "a major conceptional limitations" in planning for agricultural development. Conventionally it is assumed that these input-output relationships are known and are therefore amenable to manipulation.

The generation and sustenance of economic growth, especially in the early stages of most developing countries, are to a large extent determined by the performance of the agricultural sector of the economy. Naturally an intensive study of the characteristics of the sector, particularly as they relate to agricultural production, is therefore an essential aspect of growth studies. In this there are two major problems confronting economists concerned with agricultural development. First, there exists a wide disparity in agricultural production per unit of individual input or all inputs taken together among different regions of most countries, as well as among different countries of the world; and secondly agricultural production fluctuates from year to year much more than industrial production and the extent of this fluctuation varies from one region to another.

According to the author, the three problems commonly confronted in macro-economic planning of agriculture in most developing countries are : (i) The limited response of output to the additional use of known and measured inputs; (ii) the wide disparity in the level of output per unit of input in the different regions of the economy; and (iii) the variation in output from year to year. There have been studies dealing with one or another of these problems; but the author's contention is that there is no study so far "addressed to all the three within a single analytical framework."

main finding

The author's main finding is that in the existing structure of production, aggregate output in India seems to respond only to a limited extent to increases in current known inputs (such as fertiliser, tractor, seeds, education etc.) and there is a large unexplained residual in the variation in agricultural output. The coefficients for agricultural inputs are rather small in size. The sum of the coefficients indicates a low elasticity of aggregate crop output with respect of these inputs. "If the quantity of these inputs are doubled, output is likely to increase by only 41 per cent." This means regional effects must also be taken into account while accounting for variations in output among different regions. One region may be more fertile than another; different regions may be on different technological levels or even the history and tradition of one region may be more conducive to greater efficiency in the use of identical inputs.

Thus regions vary widely with respect to their levels of productivity and it is only through a long-term policy based on sustained research at regional levels and provision of region-specific measures that regional disparities could be reduced and aggregate productivity increased. It should be understood that regional disparities in agricultural output cannot be removed by only varying the use of different agricultural inputs. This is because it is possible that regional disparities are only partly due to variation in agricultural inputs and the residual differences are due to other factors such as climate, land tenure system, traditions of the people, and so on.

policy implications

This finding that regional variations in agricultural output can only be partly explained in terms of variations in different agricultural inputs has important policy implications for agricultural and economic development.

The government of India, in its five year has have laid down the objectives of economic growth and reduction in regional disparities. Increases in agricultural output are projected on the basis of increases in specific agricultural inputs. But this study suggests that "in the existing macro-economic structure of Indian agriculture, the application of additional current inputs can only bring about limited increase in the level of output". The author has also found that "at the level of individual current inputs, irrigation and fertiliser seem to be the most important in Indian agricultural production." But since the potential for irrigational facilities is unevenly distributed among different regions in the country, development efforts are likely to pay off more if directed at such areas where irrigational potential is relatively high. From this point of view "The Gangetic plain seems to deserve particular attention in the irrigation policy of India." Since growth is one of the important objectives of India's five year plans, such a selective policy appears inevitable to maximise agricultural output.

As regards the other objective of removing regional disparities, the finding of the author, as seen already, is that only a small part of the disparity in agricutural output is due to variations in the levels of known inputs. This means it is difficult to remove this regional disparity only by reallocation of known agricultural inputs among different regions. The bulk of the disparity is due to region-effects and this according to the author, originates from sources not yet identified and measured—the peculiarities of specific regions that are stable over time. Among such factors some might be amenable to human influences while others might be harder still to control. For example, it is possible to increase the skill of farmers, or influence their attitude through extension work and practical training. But it may be extremely hard to influence factors like basic type and humus content of the soil or the geographical location or height of the place which influences productivity of land in a region.

According to the author, the study points out that "the simultaneous attainment of the goals of maximizing output and reducing disparity is far from a simple task." Much will depend on the nature of the region-effects, on the extent they are amenable to changes by present and past investments. What is necessary for a realistic policy formulation is to examine intensively the nature of region-effects.

reducing disparities

Due to lack of proper information some regions may be engaged in producing crops for which they are not best suited. To reduce regional disparities, such regions may have to take to orchards, poultry, dairies and animal farms. Some regions which may not be suitable for agriculture may have to rely on non-agricultural investments for their development All this requires intensive research of different regions in the country. The author has suggested that "a sustained policy of research in specific districts—into their geoclimatic socio-economic characteristics is essential for understanding the causes of disparity and trying to alleviate them."

The continued flow of agricultural inputs to regions where they can produce best results, while welcome for maximising output, may accentuate regional disparities. The author wants that simultaneous action be taken to remove the resulting disparity. There should be provision of smooth and quick flow of both food and raw materials from centres of production to centres of processing and consumption. Failure to do this may lead to problem of overproduction, fall in prices, in income and loss of incentives to farmers at the centres of production. To prevent this there is needed a set of policies for pricing, transportation, storage, procurement and supply. The policy of industrial location should be made a compliment to correct regional imbalances due to uneven agricultural development. Here the agricultural policy becomes a component of the overall economic policy.

One cannot quarrel with the findings and policy implications drawn by the author from this study which is a revised version of a research work done at the Economic Development Centre at the University of Minnesota One also learns from acknowledgements that more than dozen experts including T. Pal Schultz have been consulted. The author has also made use of sophisticated econometric methodology to arrive at his conclusions. And yet it must be mentioned that the conclusions reached are well-known and extremely commonplace which one can arrive at without doing any research, much less higher research with econometric models. It is not enough to have research talent; one must also know how and for what purpose to use it.

LABOUR IN BOMBAY

In India, the growth of labour force is so rapid in relation to the capacity of the economy to ensure earning opportunities that millions are condemned to poverty and are likely to be condemned to poverty for a long time to come, unless immediate steps are taken to bring about drastic changes in the direction of economic development. *Surplus Labour and the City—A Study of Bombay* by Heather Joshi and Vijaya Joshi is mainly concerned with the urban dimension of this problem, the empirical work being centred round a single city, namely Bombay

According to the authors there is a distinction which is basic and essential for an understanding of the Indian economy. This is the distinction between the modern economy with its organised and protected labour market and the rest of the economy—the traditional self-employment and small-scale sectors. The organised sector is to be found mainly (though not exclusively) in urban areas and covers manufacturing industries, government and the various services feeding them. In this organised sector, labour productivity is generally high, incomes are also fairly high and conditions of service are generally safeguarded by labour legislation. Those who participate in this sector of the economy share to a greater or lesser extent, the fruits of economic modernisation But the numbers enjoying these fruits of modernisation are limited by the capital intensity of technology involved and the high cost of labour to employers.

unorganised sector

The rest of the labour force is generally engaged in some or other economic activities outside the organised sector. This unorganised sector covers not only most of the economic activities in rural areas but also a substantial part of the urban economy Those who fail to secure employment in the modern organised sector are forced into the unorganised sector which has the capacity to absorb them either as casual labour, low wage employees, as self-employed or as family workers. But this sector does not have the capacity to provide them with stable, regular and protected jobs with satisfactory levels of income. The unemployment problem in the sense of inadequate work and low productivity is mostly concentrated in the unorganised sector of the Indian economy, though it is not totally absent in the organised sector.

The empirical part of the authors' study concentrates on employment in Bombay city in the 1960s According to the authors, the employment problem in urban areas has not received much attention by way of theoretical or empirical analysis. Among other things, the problem involves the question of rural-urban migration and its relevance for development policies. It is not possible to devise such policies without considering the economies of urban agglomeration on the one hand and the overhead costs of urbanisation on the other. The authors have concentrated their attention only on Bombay in this respect because they believe that lessons derived from the study of Bombay may have wider relevance because the developments there may hold lessons about the shape of things to come, or to be avoided elsewhere in India.

The Bombay area has experienced much of the modernisation on the western model which has as yet not penetrated so very deeply in other parts of the country. Nevertheless along with this prosperity, there is ample evidence of Indian poverty. Alongside multistorey blocks appear squalid colonies of human dwellings. Both the rich and the poor have crowded into Bombay.

As in the case of most cities, Bombay has acquired much of its population through in-migration rather than natural reproduction in the city itself. Thus a large proportion of its inhabitants (in 1961, 64 per cent of persons, 69 per cent of males and 57 per cent of females) were born outside the city of Bombay. This gave Bombay a distinctive demographic structure, males substantially outnumbering the females. The inhabitants of Bombay had come there from all parts of India and between them had as many as 214 different mother-tongues.

striking feature

According to the authors, perhaps the most striking feature of migration into Bombay (and of rural-urban migration in India generally) compared to many African and Latin American cities is that "it has not reached unmanageable proportions, at any rate during the 1960s." Even during 1972 drought, most of the scarcity-affected workers were successfully diverted from the city by the rural public works programmes. Another check these days to in-migration into Bombay which is becoming increasingly important is the increasing competition for scarce jobs especially jobs in the organised sector, from the city-born.

As regards the policy to solve the complex problem of increasing unemployment in the cities in India in general and in Bombay in particular, the authors have rightly emphasised that "the main thrust of employment will have to be in rural areas." However, urban employment policies do have a part to play, even if it is a minor one. The policies themselves will have to operate on a broad front.

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(Incorporated under the Companies Act, 1956)

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Application forms and copies of the prospectus may be obtained from the Registered Office of the Company, Underwriters, Principal Brokers, Brokers to the Issue and Bankers to the Issue or any of their branches named herein.

An application has been made to the Stock Exchanges at Madras and Bombay for permission to deal in and for an official quotation for the shares of the Company.

THE SUBSCRIPTION LIST WILL OPEN AT THE COMMENCEMENT OF BANKING HOURS ON MONDAY, THE 4th OCTOBER 1976 AND WILL CLOSE AT THE CLOSE OF BANKING HOURS ON THURSDAY, THE 14th OCTOBER 1976 OR EARLIER AT THE DISCRETION OF THE BOARD OF DIRECTORS BUT NOT BEFORE THE CLOSE OF THE BANKING HOURS ON WEDNESDAY, THE 6th OCTOBER. 1976.

HISTORY AND DEVELOPMENT OF THE COMPANY

The Company was incorporated in the State of Kerala on 9th December 1963 and obtained the Certificate of Commencement of Business on 15th January 1964.

Promoted by the Kerala Government, Kerala State Industrial Development Corporation Ltd. (KSIDC) and Hitachi Ltd., Tokyo, Japan (HITACHI), the Company initially in May, 1966 commenced manufacture of Power Transformers of unit capacity upto and including 50 MVA/132 KV with an annual capacity of 600 MVA. The Company expanded to take up the manufacture of Transformer components viz. Bushings and On-load Tap Changers, Current Transformers and Potential Transform[illegible]
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MR S KOIMAI,
3-7-10, Takaudo,
Nishi, Suginami-ku
Tokyo, Japan.

Alternate Director:
Mr B K Paul,
E-23, East of Kailash,
New Delhi-110 024.

Alternate Director:
M/s. Dass-Hitachi Pvt. Ltd.

MR Y. KITANO,
4-9-1, Nakunarusawa-cho,
Hitachi Shi,
Ibaragi-ken (Japan)

Alternate Director:
Mr R Hoshino,
9-A, Amrita Shergill Marg,
New Delhi 110 001.

Alternate Director:
M/s. Dass-Hitachi Pvt. Ltd.

MR. H KASAKI
XXIV 462, Panampilly Nagar,
Ernakulam, Cochin-16.
(Technical Adviser)

MR A.K. THAMPY,
7, Shaffee Mohammed Road,
Madras-600 006.

Managing Director of:
The Oriental Rubber Trading Co. (Madras) Pvt. Ltd.,
Director of:
Vanjinad Leathers Ltd
Southern Sea Foods Ltd.
and other companies.

MR S B SOMANI,

Director of:
and other companies.

LEGAL ADVISERS

M/s Joseph & Markos,
Lawyers & Notaries, Kottayam

SECRETARY & FINANCE MANAGER

Mr K.V.S Mony, FCS

ISSUE HOUSE

Milan Investments Pvt Ltd,
Bhupen Chambers, Dalal Street, Fort, Bombay

UNDERWRITERS:

The Equity Shares presently offered to the public for subscription in terms of the prospectus have been fully underwritten as follows:

	Names and addresses of Underwriters:	Amount underwritten Rs.
1.	Industrial Development Bank of India (IDBI), Jolly Maker Chambers, I, Nariman Point Bombay - 400 021	12,50,000
2	Industrial Finance Corporation of India (IFCI), Bank of Baroda Bldg, 16, Parliament Street, NEW DELHI-110 001.	10,00,000
3.	The Industrial Credit & Investment Corporation of India Limited (ICICI), 163, Backbay Reclamation, Bombay-400 020.	12,50,000
4.	Life Insurance Corporation of India (LIC), Yogakshema, Jeevan Bima Marg, Bombay-400 020	5,00,000
5	Unit Trust of India, 45, Veer Nariman Road, Bombay-400 001	5,00,000
6.	General Insurance Corporation of India (GIC), Industrial Assurance Bldg, Churchgate, Bombay-400 020.	5,00,000
7.	United India Fire & General Ins Co Ltd, UCO Bank Building, 13/16, Thambu Chetty St., Madras-600 001.	5,00,000
8	New India Assurance Company Ltd, New India Assurance Bldg., Mahatma Gandhi Road, Bombay-400 023.	5,00,000
9.	National Insurance Co Ltd., 3, Middleton Street, [illegible] 700 071.	1,00,000

BOMBAY-
1. D S Purbhoodas & Co., Apollo Street.
2. Harkisondas Lukhmidass, Apollo Street.
3 Upendra Dalal & Co. Apollo Street.
4 Lewis & Jones. Apollo Street.
5. Prabhudas Lilladhar, Hamam Street
6 Jamnadas Moranjee & Co Hamam Street.

CALCUTTA
1 Brijnath Khandelwal & Co., India Exchange Place.
2. M M Murarka & Co., Lyons Range.
3. Stewart & Co, India Exchange Place,
4. Place, Siddons & Gough Pvt. Ltd., 6, Lyons Range.

NEW DELHI:
1 Bharat Bhushan & Co., Connaught Place.
2. Harbans Singh Mehta & Co., Parliament Street.
3. J.C. Mehta & Co., Asaf Ali Road.
4. Raja Ram Bhasin & Co., Desh Bandhu Gupta Road.
5. Vinod Kumar & Co., Connaught Place.

MADRAS:
1. Kothari & Sons, Nungambakkam High Road.
2 Paterson & Co., Second Line Beach
3. Venkataraman & Co., Linghi Chetty Street,

BANGALORE:
1. Alan J Chavss, Cunningham Road
2. M. Nanjappaiah Jahgirdar, Cavalry Road.
3. Vijai & Co., Malleswaram.

HYDERABAD:
1. Laxminarayan Rathi, Sultan Bazar

INDORE:
1. Pushkarlal Ghudawala, Bada Sarafa.

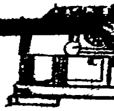
BANKERS TO THE COMPANY:

1. State Bank of Travancore, Angamally.
2. Indian Bank, Alwaye.
3. Central Bank of India, Alwaye.
4. The Federal Bank Limited, Angamally.

BANKERS TO THE ISSUE:

	OR its Main offices at:
1. Bank of Maharashtra, Maharashtra Bank Bldg., Bombay Samachar Marg, Bombay-400 023.	Ahmedabad, Bangalore, Calcutta, Cochin, Hyderabad, Indore, Madras, Nagpur, New Delhi (Connaught Place), Trivandrum.
2. Central Bank of India, Chander Mukhi, Nariman Point, [illegible]	Ahmedabad, Alleppey, Alwaye, Baroda, Bangalore, Bombay (M.G. Road) [illegible] Ernakulam, Indore

FDS/TEK-IS



Rs 234
1971
Company achieved a turnover of Rs. 756.52 lacs in 1975-76 and profits before taxes for the respective years were Rs. 5.48 lacs and Rs 85.95 lacs. For the year ending 31st MARCH 1976 the Board has recommended a dividend of 12%

PRESENT EXPANSION PROJECT:

In order to retain its share of the market and also to cater to the needs of various power projects, the Company is increasing the capacity from 1080 MVA to 3000 MVA of Power Transformers and also taking up the manufacture of 400 KV Power Transformers, Current Transformers, Bushings and On-load Tap Changers.

The expansion is expected to be completed by the end of 1976.

COLLABORATORS

Hitachi, Ltd.

The company has entered into a Technical Collaboration with Hitachi Ltd., Tokyo, Japan who have developed by research substantial technical information relating to EHV Power Transformers and Bushings, On-load Tap Changers, Current Transformers and possess extensive knowledge in this field. The Collaborators helped the company to establish even at an early stage a good reputation in the Indian market and also to enter the international market. HITACHI has subscribed to 26% of the Equity Capital of the Company.

PROSPECTS

THE COMPANY HAS IN ITS BOOKS ORDERS VALUED AT Rs. 30 CRORES AT PRESENT WHICH WILL CARRY PRODUCTION THROUGH THE NEXT 2½ YEARS AND NO DIFFICULTY IN MARKETING THE PRODUCTS IS ANTICIPATED. The Directors anticipate that, barring unforeseen circumstances, the profits accruing from the present and expanded activities would be sufficient to enable payment of a reasonable dividend on the entire Equity Capital as proposed to be increased.

BOARD OF DIRECTORS

Name & Address:	Other Directorships:
MR GEORGE THOMAS, IAS Villa Lizza, Kawdiar, Trivandrum-3. (CHAIRMAN)	
MR A. O. OOMMEN, Adangaprathu XXVIII/246-A, Janatha Road, Cochin-25 (VICE CHAIRMAN)	
MR K. NARAYANAN, IAS C-2, Jawaharnagar, Kawdiar, Trivandrum-3.	Director of: Kerala State Industrial Development Corporation Ltd. Kerala State Electronics Development Corporation Ltd. Cochin Shipyard Ltd. and other companies
	and other companies.
MR K. G. SESHAN, A/114, Ginnagar, Ernakulam, Cochin-20. (MANAGING DIRECTOR)	Director of: Kerala Electrical and Allied Engineering Co. Ltd.

SHARE CAPITAL

Authorised

50,00,000	Equity Shares of Rs. 10/- each	Rs. 5,00,00,000

Issued Subscribed & Paid-up

30	Equity Shares of Rs. 10/- each allotted to the Subscribers to the Memorandum, which have been fully paid up in cash at par.	Rs. 300
16,12,928	Equity Shares of Rs 10/- each allotted to the Government of Kerala, which have been fully paid up in cash at par	Rs. 1,61,29,280
4,91,990	Equity Shares of Rs 10/- each allotted to Kerala State Industrial Development Corporation Ltd (KSIDC), which have been fully paid up in cash at par.	Rs. 49,19,900
10,34,002	Equity Shares of Rs 10/- each allotted as fully paid to M/s Hitachi Ltd., Tokyo (Japan), (Of this 10,33,231 Equity Shares of Rs. 10/- each were issued pursuant to contracts without payment being received in cash)	Rs 1,03,40,020

Present Issue at par.

8,61,050	Equity Shares of Rs 10/- each	Rs. 86,10,500

Reserved out of the Present Issue:

5,998	Equity Shares of Rs 10/- each reserved for allotment to M/s. Hitachi Ltd., Tokyo, Japan	Rs. 59,980

NOW OFFERED TO PUBLIC IN TERMS OF THE PROSPECTUS FOR CASH AT PAR:

8 55 052	Equity Shares of Rs 10/- each	Rs. 85,50,520

TERMS OF PAYMENT:

On Application	Rs. 2.50 per share
On Allotment	Rs. 2.50 per share

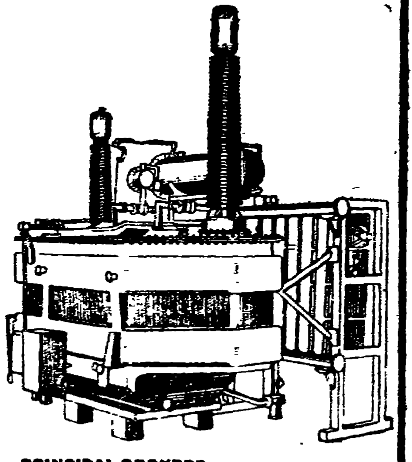
The balance in one or more calls to be made by the Board of Directors provided that there shall be an interval of at least a month between any two calls and allotment and the first call.

Application must be for a minimum of 50 Equity Shares or multiples thereof

AUDITORS

M/s. T. Velu Pillai & Co.,
Chartered Accountants,
Alwaye.

11	Indian Bank, 17, North Beach Road, Madras-600 001.	5,00,000
12.	Central Bank of India, Mahatma Gandhi Road, Bombay-400 001.	3,00,000
13.	The Federal Bank Limited, Alwaye.	3,00,000
14.	Bhupendra Champaklal Devidas, Bhupen Chambers, Dalal Street, Fort, Bombay-400 023.	1,50,520
15.	Porecha Brothers Stock Exchange Bldg., Apollo Street, Fort, Bombay-400 023.	1,00,000
16	Bharat Bhushan & Co., H-45, Connaught Place, New Delhi-110 001.	1,00,000
17.	Champaklal Bhailal Chokshi, Manek Chowk, Near Share Bazar, Ahmedabad-380 001.	1,00,000
18.	M. Nanjappaiah Jahgirdar, 205, Cavalry Road, Bangalore-560 042.	1,00,000
	TOTAL	85,50,520



PRINCIPAL BROKERS:

1 Bhupendra Champaklal Devidas,
Bhupen Chambers,
Dalal Street, Fort, Bombay-400 023.

2. Porecha Brothers,
Stock Exchange Building,
Apollo Street, Fort

BROKERS TO THE ISSUE:

AHMEDABAD:

1. Champaklal Bhailal Chokshi, Manek Chowk
2. N.L. Parikh Manek Chowk.

	urnool, Madras, Nagpur, New Delhi, Palghat, Poona, Panaji (Goa), Quilon, Salem, Secunderabad, Surat, Simla, Srinagar, Trichur, Tiruchirapalli, Trivandrum, Vijayawada, Visakhapatnam.
3. The Federal Bank Ltd., Bombay Samachar Marg, Bombay-400 023.	Alleppey, Alwaye, Angamally, Bangalore, Calcutta, Calicut, Cannanore, Chalakudy, Changanacherry, Chittur, Cochin, Ernakulam, Kalamassery, Kottayam, Kozhencherry, Madras, Malappuram, Muvattupuzha, Palghat, Punalur, Quilon, Tellicherry, Trichur, Trivandrum, Udyogmandal.
4. Indian Bank, United India Bldg., Sir P M Road, Bombay-400 001	Ahmedabad, Alwaye, Baroda, Bangalore, Coimbatore, Calcutta, Calicut, Delhi (Chandni Chowk), Ernakulam, Indore, Jaipur, Jabalpur, Hyderabad, Kottayam, Mysore, Madurai, Nasik, Palghat (NSS Engg. College) Palghat (FGB Rd.), Pondicherry, Quilon, Rajkot, Salem, Trichur, Trivandrum, Tiruchirapalli.
5 State Bank of Travancore, Mahatma Gandhi Road, Bombay-400 023	Alleppey, Alwaye, Badagara Angamally, Bangalore, Calcutta, Calicut Kottayam, Cannanore, Chalakudy, Changanacherry, Chittur, Cochin, Ernakulam Nagarcoil Malappuram, Muvattupuzha, Palghat, Punalur, Quilon, Tellicherry, Trichur, Tiruvalla, Trivandrum Udyogmandal, Kannyakumari, Perumbavoor, Pathanamthitta, Payyannur, Kozhencherry, Madras, Kalamasserry, Kanjirappally, Thodupuzha, Kasaragod.

HOW TO APPLY:

A. Obtain Copies of the Prospectus and Application Forms from the Registered Office of the Company, Brokers, Underwriters or Bankers

B Complete and Sign the Application Form (applications must be for 50 shares or multiples thereof), deliver applications together with cash or cheques to any branch shown against the Banks mentioned above. Cheques or Drafts should be drawn on the Banks at the place to which they are despatched by post or delivered by hand.

Opening Date: 4th OCTOBER 1976.

Closing Date: 14th OCTOBER 1976

But not before: 6th OCTOBER 1976

MANAGERS TO THE ISSUE:

CIFCO

CHAMPAKLAL INVESTMENT & FINANCIAL CONSULTANCY LIMITED

Bhupen Chambers, Dalal Street, Fort,
BOMBAY-400 023.

They consist partly of changing the price structure to create the right market incentives. Also, more direct government action is required to mobilise special job-oriented programmes, to encourage the development and dissemination of appropriate technologies, to redirect savings and redistribute assets.

Reversing the trends of increasing unemployment in Bombay (and also other cities in India) will need "a major revision of economic policy in the direction of employment creation and resource redistribution." Positive steps will have to be taken to encourage labour-using techniques, products and activities. Care however must be taken both to avoid output-reducing employment policies and also even among output-increasing employment policies to avoid those which would reduce the investible and redistributable surplus excessively. Of course, according to the authors, many of these changes and policies will be opposed by vested interests. This, therefore, means that their success will depend, in the last analysis, on effective political leadership.

The authors are of the firm belief that "the philosophy and conduct of Indian economic policy have aggravated the employment problem, giving insufficient attention to the absorption and productive utilisation of the country's abundant supplies of labour resulting in stagnating incomes for larger sections of the population." They are of the opinion that radical rethinking of economic policy is called for, if the problem of increasing unemployment in cities like Bombay is to be successfully tackled. The authors' analysis of the lacunae in current policies and their far-reaching recommendations transcend the urban dimension as they embrace rural employment.

Fortunately there is at present greater realisation that the problems of urban unemployment will have to be fought mainly on the rural front. It is a matter for gratification that there appear to be signs of reversal of older policie which aggravated the problems of unemployment in Indian cities.

DYESTUFFS INDUSTRY

The history of the dyestuff industry in India, the problems the industry faces, and its future possibilities are matters of vital interest to the Indian economy. *Dyestuff Industry in India* contains articles written since 1960 by J.H. Doshi who is a pioneer in the Indian dyestuff industry. The author has dealt in these articles very searchingly and objectively with various aspects of the dyestuff industry such as the advantages and disadvantages of foreign collaboration, the role of small-scale sector, the tariff policy, production costs, export-potential, the handicaps from which the industry suffers, etc., etc.

The history of dyestuff industry makes interesting reading. The first World War brought home to the United States, Britain and other countries the serious effects of the German domination in the dyestuff industry on which depended, to a considerable extent, the development of the organic chemical industry, synthetic drugs and rubber chemicals. Another quarter century elapsed before preliminary steps were taken in India to establish the manufacture of dyes. Though a late-comer in the field of synthetic dyestuff manufacture, India has made considerable progress, though this has been achieved against enormous odds.

important aspects

In this brief review reference can be made only to some of the important aspects of the dyestuff industry dealt with by the author in some of his important articles.

The real beginning of a full-fledged dyestuff industry in India was made around 1952 after which many units manufacturing different types of dyes came to be established in the country. Meanwhile the government of India also recognised the importance of the planned development of this industry and brought it within the purview of the Industries Development and Regulation Act, 1951. This industry is now a 'scheduled industry' and therefore its planned development is the responsibility of the ministry of Commerce and Industry. In 1960, there were about 50 dyestuff manufacturers in the country, comprising large and small units. The industry has been mainly concentrated in western India.

The author rightly believes that the government of India was right in giving special attention to the development of this industry with a view to save large amount of foreign exchange spent on their imports annually and also to make various national industries such as textile, jute, paper, etc. independent of foreign imports and also with a view to creating a background for the development of chemical industry as a whole which in future may embrace much wider field such as synthetic resins, plastics, synthetic fibres and many similar industries.

conflicting factors

Most of the important groups of dyestuffs use imported intermediaries: The industry was therefore referred to the tariff enquiry in 1953. According to the author, due to various conflicting factors and for want of a comprehensive scheme, effective measures were not taken then with the consequence that the progress of dyestuff industry became faltered in several directions.

As a result of the recommendations of the Tariff Commission, the dyestuff industry got protection and as a consequence the initial growth of the industry in the first five years was spectacular. The author has opined that India will have to adopt a coordinated and planned approach to the problems of dyestuff industry instead of taking snap decisions to get over particular situations. Very often such snap and ad hoc decisions came to be taken with the consequence that the position of the industry in early 1960s became uncertain, and its future unpredictable.

The Tariff Commission again surveyed the dyestuff industry in 1960-61 in view of its importance for chemical industries, pharmaceutical industry, explosives, synthetic plastics and solvent industries. According to the author, there was considerable amount of confused thinking regarding cost of production, price structure, customs duty on different intermediaries, excise duties on different ranges of dyestuffs, import policy for dyes manufactured and not manufactured in the country, allocation of foreign exchange for importing intermediaries and regarding plants for manufacturing intermediaries in public and private sectors. According to the author, it is high time that all these problems are a discussed in a comprehensive way and a properly integrated approach evolved and followed.

The government of India has defined the scope of the small-scale industry only in terms of capital invested and the number of people employed. The consequence so far as the dyestuff industry is concerned is that a very large number of small-scale units have come to be established in this industry alongside large-scale units. Unfortunately while setting the targets and granting manufacturing licences to large-scale units, the capacity of the small-scale units which were already established was not taken into account. The consequence has been that overall capacity of the dyestuff industry has been larger than that required to meet the demands of the country. Also there is unfair competition among large and small units for the allocation of various items of raw materials needed by the industry. As a result of the severe competition among these units and unhealthy price-cutting to uneconomic levels, several units in the industry are working below their installed capacity spreading a wave of pessimism which is likely to adversely affect the future of the industry.

Imported intermediates

The dyestuff industry still depends upon imports of intermediates, although manufacturing of some of them in the country has already started. It is imperative that effective steps are taken for the manufacture of all intermediates either in the public or private sector so that this vital industry can be entirely on its own without depending to any extent on imports from abroad. It is unfortunate that the government, according to the author, has not been giving enough encouragement to various interested units for the manufacture of intermediates.

The author has expressed his concern that some of the textile units in the country still use imported dyestuff the import of which is permitted by the government, though indigenous colours practically of the same quality are available in the market. The author has also pointed out that if facilities are provided especially for large units to work at full capacity, the cost of production as well as the selling price can be brought down to levels competitive with imported dyestuffs.

The author is in favour of foreign collaboration in certain sophisticated fields for technical and financial reasons. But such financial collaboration should be considered on a selective basis and only with a view to achieving rapid progress of the dyestuff industry in the country.

Though the Indian dyestuff industry has made considerable progress, especially in a few ranges of products (such as organic pigments, pigment painting emulsions, reactive dyes and naphthols, etc), the German and the Japanese dyestuff industry still continues to dominate the world markets. Compared to world production, Indian production of dyestuff appears insignificant. This is unfortunate as India has all the ingredients required to increase production of dyestuff to much greater extent, part of which can be easily exported to earn foreign exchange.

As the author wrote the articles in this book over a period of more than a decade, the reader gets an idea as to how the Indian dyestuff industry got established, the nature of the problems and difficulties the industry faced and how it made substantial progress since independence. Along with the historical aspects the author has also analysed the present position of this vital industry and on the basis of his analysis has made some practicable suggestions, which if followed by the government and the industry, will definitely help rapid development of this basic industry in the country.

Facts Galore

Myers Indmark-India's Economic Compass (Third International Edition): Edited and published by H.N.S. Myer for Indmark, 16, Rest House Crescent, Bangalore-560001; Price Rs 75; £6; $12.

Reviewed by **B. Ganapathy Sarma**

India has made phenomenal progress on the industrial front so much so foreign businessmen are increasingly turning to our country for their requirements of not only traditional raw materials but also for sophisticated products of modern technology. "Myers Indmark--India's Economic Compass" presents in a neat, compact and elegant volume running into about 350 pages, a chronological list of as many as 3700 products manufactured in the country, the firms manufacturing these products and their full addresses.

The treatise has been broadly divided into seven parts. Economic data on India is presented in part A. An alphabetical list of classified products is given in Part B. Trade Headings are dealt with in the following section. The subsequent section is devoted to "Standards Institutions". The alphabetical list of manufacturers addresses is given in Part E. "Index of Advertisers" and "Economic Encyclopaedia" are provided in the last two sections.

This handy compendium giving up-to-date and authoritative information on a wide spectrum of industrial products and their manufacturers will certainly serve as a reliable guide and ready reference volume to entrepreneurs in general and the business community in particular.

Books Received

Foreign Exchange: Principles & Practice: K. K. Andley; published by Sultan Chand & Sons, 4792/23, Daryaganj, New Delhi; Pp 492; Price Students Edn. Rs 16.00; Library Deluxe Edn. Rs 25.00.

Industrial Licencing Policy: A report prepared by Tata Economic Consultancy Services; Published by Popular Prakashan Pvt. Ltd., 35 C, Tardeo Road, Bombay-400 034; Pp 106; Price Rs 20.00.

Governmental Systems and Development: V. A. Pai Panandiker; Popular Prakashan Pvt. Ltd.; Pp 124.

Taxes and Incentives: Published by Indian Investment Centre, "Jeevan Vihar", Parliament Street, New Delhi-110001; Pp 173; Price Rs 12.00.

Joint Ventures Abroad: Published by Indian Investment Centre; Pp 141; Price Rs 10.

Pre-Investment Guide on Selected Industries 1976-77: Published by Indian Investment Centre; Pp 176; Price Rs 10.00.

Prospects for Ancillaries/Auxiliaries to Public Sector Undertakings: Published by Indian Investment Centre; Pp 83; Price Rs 5.00.

Investing in India by Non-Resident Indians Why & How: Published by Indan Investment Centre; Pp 20; Price Rs 2.00.

TRADE WINDS

Fifth Plan

THE FIFTH five-year Plan, with a public sector outlay of Rs 39,303 crores and envisaging an average annual 4.3 per cent growth rate over the 1974-79 period, was approved by the National Development Council which concluded its two-day consideration of the Plan recently. Prime Minister Mrs Indira Gandhi presided over the meeting Including the provision of inventories, the Plan outlay would total Rs 42,300 crores. In the draft, the figure was Rs 37,463 crores. The final private sector outlay of Rs 24,000 crores is a sharp rise over the draft figure of Rs 16,000 crores Despite the step-up, the outlay in the public sector actually is marginally less in real terms, considering that the revised Plan was drafted on the basis of a higher price level.

Realistic Plan

Mr P.N. Haksar, Deputy Chairman of the Planning Commission, stated that the Plan was a "cautious but realistic appraisal of the possibilities over the five-year period," ensuring the country's strict adherence to the discipline of the Plan over the next two years. Prof S. Chakravarty, member of the commission, who also was present, said the average growth in agriculture was estimated at 4 per cent and in industry 7.10 per cent. Although the growth rate for the remaining two years of the fifth Plan was estimated at 5.2 per cent, the average for the five years had been calculated at 4.3 per cent because the first year of the Plan had virtually been a wash-out when the growth rate had been a meagre 0.2 per cent.

Delegation to West Germany

A 10-member industrial delegation consisting of leading industrialists in eastern India left for West Germany on September 25, to seek possibilities of new exports to West Germany, collaborations in the field of engineering, chemicals and allied industries, possibilities of importation of capital goods and second-hand plants and collaboration with German industries for exports to third countries. The delegation will make an intensive tour in West Germany and will meet bankers, chambers of commerce, industrialists and government officials. The delegation, which was led by Mr R.P. Mody, president of the Indian Chamber of Commerce, has gone to Germany with the support of the government of India. It is also scheduled to meet the Confederation of British Industry in London before returning to India.

Excise Relief for Sugar

In pursuance of Finance minister's statement in this year's Budget speech, a scheme of excise duty relief to encourage higher production applicable to a number of items was announced on June 16, 1976. Subsequently the scheme was extended to paper and paper boards and to some selected items of textile industry. The government has now decided to formulate a new scheme of excise duty relief to encourage higher production of vacuum pan sugar. The scheme is applicable for the sugar season 1976-77, commencing on October 1, 1976 and ending on September 30, 1977.

For the period October-November, 1976 the excess production during these two months over the average production of corresponding two months during the preceding five years will be eligible for excise relief. The excess production will be charged at about 25 per cent of the duty otherwise payable. This relief will be, however, available only when total production in 1976-77 sugar season exceeds the total production averaged over the preceding three sugar seasons, in respect of each factory. In respect of the rest of the period in the sugar season 1976-77, the scheme will be as follows : (a) The excess production during the period December, 1976—September, 1977 over the average production in the corresponding 10 months during the preceding three sugar years including 1975-76 season will be eligible for excise relief; and (b) the excise duty will be calculated at about 75 per cent of the duty otherwise payable on this excess production. Since there are already some special concessions to new sugar factories as well as those which expand substantially on or after April 1, 1974 under Central Excise notification No. 35/76 and 36/76, the present scheme of excise duty relief for higher production will not cover such factories.

India's exports of cotton textiles during 1975-76 reached an all-time high at Rs 3760 million.

Central Board of Excise and Customs

The Central Board of Excise and Customs has been reconstituted. The Board will have a chairman and four members. Mr M. G. Abrol is the new chairman of the Board. He was formerly Gold Control Administrator and Additional Secretary in the Department of Revenue and Banking. The former chairman, Mr Jasjit Singh, has been promoted and appointed Special Secretary (Revision Applications), Department of Revenue and Banking. While Mr S. Venkatesan, present Member of the Board, will continue to be the member, three new members have been appointed They are : Mr. M R. Ramachandran, formerly Director in the Central Board of Excise and Customs; Mr G. S. Sawhney, formerly Director General, Revenue Intelligence in the Department of Personnel and Administrative Reforms and Mr R. C. Misra, Joint Secretary, Department of Personnel and Administrative Reforms.

Rupee Upvalued

Indian Rupee was revalued on September 21, as against the British pound sterling for the seventh time in just one year. The Reserve Bank of India fixed the middle rate at Rs 15.40 per pound sterling, against Rs 16 per pound prevailing since May 29 last. This amounted to a revaluation of the rupee by 3.75 per cent since May 29, and an overall appreciation of the rupee in just one year by 16 per cent. When the rupee was delinked from the pound on September 25 last year, the middle rate had been fixed at Rs 18.31 per pound, as compared to the present rate of Rs 15.40 per pound.

The following were the rates fixed by the Reserve Bank with effect from September 21, 1976: Buying ; £6.5147 per Rs 100 (corresponding to Rs 15.35 per pound). Selling : £6.4725 per Rs 100 (corresponding to Rs 15.45 per pound).

The first revaluation of the rupee vis-a-vis the pound sterling, after the rupee-sterling link was snapped, was on December 5 last year, the second on March 8 this year the third on March 11, the fourth on April 3, the fifth on April 23 and the sixth on May 29. The Reserve Bank will continue to buy forward sterling for delivery up to nine months at the rates to be determined as hitherto by adding a margin to pound sterling 0.0125 per Rs 100 per quarter or part thereof, to its spot buying rate, the Reserve Bank stated in a press note.

Engineering Goods for Zambia

A three member mining delegation from Zambia has come to this country at the instance of the Association of Indian Engineering Industry with a specific shopping list and is expected to identify business during its stay here Mr F.H. Kaunda, leader of the delegation, regarded this country as a dependable source of supply for his country's need of engineering equipment such as transport equipment for underground mining, earthmoving equipment, railway track material, diesel engines and stone crushers, all of which are needed for the mining industry which is the lifeline of the Zambian economy. Zambia, according to Mr Kaunda, produces 700,000 tonnes of copper, 800,000 tonnes of lead and zinc and an equal quantity of cobalt. The mining industry purchases a variety of engineering goods of the value of Rs 700 crores per annum. Currently, most of its requirements of engineering goods are imported from the United Kingdom, West Germany and the United States.

Oil India Debentures

Speaking at the ninth debenture redemption function of the Oil India Ltd. recently, Mr K.D. Malaviya, union minister for Petroleum & Chemicals, commended the company for carrying on its task in the face of several difficulties and for introducing a lot of new concepts and technical knowledge. When this organisation was created, Mr Malaviya said, he had doubts over its purposeful working but its efficient and smooth functioning over the years had shown that his doubts were misplaced. He was happy that the company had constantly followed "a policy of caution" in its search for oil in Assam.

Earlier, the chairman of OIL, Mr A.N. Deb, expressed the hope that the company would be given enough new areas on the basis of which to look forward to achieving a higher share of indigenous crude oil production. He explained that since its formation, the company has produced over 35 million tonnes of crude and as on January 1 this year it still has on hand, in the shape of proved and indicated reserves, about 39 million tonnes of crude oil. Further recoverable reserves are being added to maintain crude oil at 3 million tonnes per annum at least up to 1982 and may be for several years beyond. Mr Deb added that the ninth debenture draw was the last one because the balance would be paid automatically next year. The Rs. 30-crore debenture stock of the company (1968-77) remains to-date the single largest issue of its kind ever floated on the Indian market.

Demand for Cement

A Planning Commission study growth has estimated that the domestic demand for cement may be between 19.33 million and 22.40 million tonnes by 1978-79. Added to this the targeted 1.5 million tonnes of export, the total demand for cement may be between 20.83 million tonnes and 23.90 million tonnes in 1978-79, the last year of the fifth Plan. The group has also suggested that a unit be set up as part of the Perspective Planning Division (PPD) of the Planning Commission with the special function of updating cement consumption norms for the purpose of projecting cement demand. As no information in regard to consumption of cement in rural areas is available, the group has recommended that a sample survey by a suitable organisation such as the NSSO (National Sample Survey Organisation) may be conducted.

Standardisation in Shipping

Mr H.M. Trivedi, minister of state for Shipping and Transport, has emphasised the need for standardisation in the production of ships for domestic use Addressing the first meeting of the Development Council for shipbuilding, ship repairs and ancillary industries, Mr Trivedi stated that the Council should initiate a dialogue between the shipyards and the national shipowners for the standardisation of any two or three types of vessels that are required the most. Only with such standardisation, at least with regard to size, capacity, main engines and major ancillaries, could shipbuilding be made economical and competitive. This would facilitate clubbing of the requirements of steel and major ancillaries which would help reduce the period of construction at the yards, he added.

Mr Trivedi pointed out that there was an emerging pattern of the type of vessels which Indian shipowners would prefer to have. He was of the view that cost reduction had to be attempted not by competitive quotations domestically between organisations, mainly in the public sector, but by standardisation, a clubbing of requirements, scheduling of the manufacture of engines and ancillaries, and specialisation in the construction of the defined types.

Industrial Finance Corporation

The Industrial Finance Corporation of India sanctioned during 1975-76 financial assistance of Rs. 54.6 crores for 116 projects in different states of the country – an increase of 48.1 per cent over the previous year's sanctions. The level of sanctions and disbursements during the year were the highest achieved by the Corporation since its inception in 1948. Forty eight per cent of IFCI's total assistance accounted for promoting industries in the less developed areas. Industries of high national priority, namely, sugar, cotton textiles, cement and paper received Rs 27.78 crores or 50.9 per cent of the total sanctions, the sugar industry being the major beneficiary. Taking into account also, core industries of importance to national economy, the figure comes to 79 per cent of the total.

The working results for the year ended June 30, 1976 of goods produced, revenue derived, infra-structure facilities utilised and employment sustained. A short-term view of gainful saleability of forest produce seems to be contra-indicated by the supply situation in the State.

I had occasion to refer to the afforestation programmes in my last year's address before you. We, in the Paper Industry, are more than ever convinced that efficient and speedy afforestation can be undertaken on a realistic scale only through the joint efforts of the Paper Industry and Government, with the former taking an active part in giving guidance to such a programme and the Government allocating the required blocks of lands for the purpose to the industry and providing a part of the resources required for launching such an afforestation programme.

In this context, I welcome the efforts of the Tamilnadu Forest Plantation Corporation which has undertaken growing eucalyptus and other plantations on a commercial basis. I wish the Corporation all strength at the elbow. It is, however, clear that the resources at the disposal of the Government, which are required for very many priority purposes, may not in the long run be adequate for undertaking commercial afforestation on the scale required by the paper and man-made fibre industries. It is for this reason that I still plead for a joint effort by the industry and the Government through a long-term lease of the required lands in an appropriate forest area, to the industrial units to grow their own pulpable varieties of wood. I say this particularly because the paper industry seems to be entering upon a new phase, when it can no more depend on unspecified sources for its requirements of primary raw materials, any more than the sugar industry can for instance, depend on unspecified sources for its requirements of sugarcane.

I am sure shareholders would like to know the progress we have made with our scheme for expanding our installed capacity from 35,000 tonnes to 55,000 tonnes per annum. You will be glad to know that orders have been placed for all our requirements of plant and machinery, both inside and outside the country. Supplies are expected to flow onwards of November this year. The main paper machine is expected to be ready early in 1978 and with some luck, the additional capacities will have gone into stream by the middle of 1978.

In this context, I wish to say that the institutions and banks, which readily came to our assistance in providing the required term-loan assistance for the expansion, helped us to complete the documentary formalities in record time and also made advance funds available to us, enabling us to place orders for plant and machinery without much loss of time. As shareholders are aware, the expansion is expected to cost Rs 20 crores on the outer side, of which Rs 15 crores are being borrowed from five financial institutions and six nationalised banks while Rs 4 crores are to be found by internal cash generation. Your Board of Directors have undertaken to find the balance of Rs 1 crore that may be required towards the closing stage of the expantion project by issue of 11% Preference shares, in respect of which underwriting arrangements have been already finalised with institutions.

Coming to the performance of the Company during the year under review, you will have noticed from the Report that our production has been maintained at the level of the previous year. A major event of the year was, of course, the issue of Bonus Shares at the rate of one bonus share for every two shares held, by capitalisation of Reserves. I am glad to state that our taxable profits permit of our recommending distribution of Equity Dividend at 12% on the enhanced capital and recommend transfer of a little over Rs 22 lakhs to the General and Statutory Reserves.

I am equally happy that the question of tax liability on amounts transferred to Development Rebate Reserve in earlier years is no more a Damocles Sword and has been settled by the decision of the Courts and by the directives issued by the Central Board of Direct Taxes.

I cannot conclude this speech without reference to the remarkable manner in which our Managing Director, Mr. S Viswanathan, handled the problems of expansion, both as regards funds that needed to be mobilised and in regard to placement of domestic and external orders. I must express my deep thanks to the all-India financing institutions and the six nationalised banks for the speedy decisions they took on our loan applications and for making interim funds available to us that facilitated timely placement of orders on suppliers of machinery. I wish to convey my grateful thanks and also those of my Board of Directors to the Government of Tamilnadu for their unstinted co-operation at all stages. I must particularly convey my appreciation to the General Manager, Mr. N. Padmanabhan, the Deputy General Manager, Mr. N. Ravindranathan, the Secretary, Mr. K.V. Ramaswamy and the talented team of devoted engineers and technical staff for the exceptional strains they have undergone in connection with the expansion project.

I must also thank all ranks of staff and labour for the splendid work they have put in during a year, not wholly devoid of problems.

I thank you for your kind forbearance. I now move for adoption of the report and Accounts.

(Note : *This does not purport to be a record of the proceedings of the Annual General Meetings*).

Commission of Inquiry on Large Industrial Houses
Notice of Public Hearing

No. 1 (294)/73-CILIH : The Commission of Inquiry on Large Industrial Houses will hold a Public Hearing commencing from Monday, the 4th October, 1976, into matters under its terms of reference arising out of the financial assistance by :—

(i) Industrial Finance Corporation of India;

(ii) Industrial Development Bank of India Ltd; and

(iii) Industrial Credit and Investment Corporation of India Ltd; to

(a) Bihar Alloy Steels Ltd; and

(b) High Quality Steels Ltd.,

two concerns included in the Larger Industrial House of Birla by the Industrial Licensing Policy Inquiry Committee.

The venue of the hearing is Vigyan Bhavan, New Delhi-11 (Committee Room 'C' from 4.10.1976 onwards, Committee Room 'B' from 18.10.1976 onwards, Committee Room 'C' from 22.10.1976 onwards and Committee Room 'E' from 27.10.1976 onwards). The sitting hours will be from 9.30 A.M. to 1.30 P.M. Any subsequent changes becoming necessary in the venue or sitting hours will be announced or notified at Vigyan Bhavan.

By order
V. NATARAJAN
Secretary

20th September, 1976,
Room No. 301, 'A' Wing,
Shastri Bhavan,
New Delhi-110001

davp. 563 (107)/76

India Steamship Co., Ltd.

Address of the Chairman :

Mr. K. K. Birla

delivered at the Annual General Meeting of the Shareholders of the Company on the 27th September, 1976.

GENTLEMEN,

I have great pleasure in welcoming you all to the 48th Annual General Meeting of your Company.

Before I proceed with my observations, I would like to place on record our deep sense of sorrow at the passing away of Sir A. Ramaswami Mudaliar, former Chairman of your Company.

Sir Ramaswami was a dominant figure in Indian public life and was an educationist of repute. He was a doyen and a leading light in Indian Shipping ever since he took over the Chairmanship of India Steamship. It was he who led your Company into international shipping and enabled the Company, through his untiring efforts, to carve out a place for itself in international shipping. His persuations and brilliant advocacy gained for the Indian Lines' entry into several Shipping Conferences, governing India's trade. He provided sagacious leadership to the Indian shipping industry in general and India Steamship in particular, with his business acumen and outstanding ability. Your Company has sustained an irreparable loss in the passing away of Sir Ramaswami.

Mr. K. K. Birla

I had the good fortune of striking up his acquaintance almost forty years ago In course of time, the acquaintance developed into friendship and I had the privilege to enjoy his trust and confidence. To me, therefore, the loss is all the more great.

On behalf of you all and on my own behalf I offer my heartfelt condolences to the members of the bereaved family.

2. The Directors' Report and the Audited Accounts of the Company for the year ended 31st March, 1976, have been with you for some time now and with your permission I shall take them as read.

3. At the last Annual General Meeting I dwelt at some length on the unprecedented crisis that had shadowed the shipping industry all over the world as a result of the extraordinary stresses and strains through which the economies of the nations were passing. In retrospect, it now appears that the intensity of the crisis was far more vehement than was initially envisaged.

4. The freight rates in Tramp trade remained extremely depressed and the average freight realisation worked out to not more than 30 per cent of the freight of 1974 The results were therefore disastrous; the world shipping was struggling for sheer existence and large scale laying-up, scrapping of tonnage, and cancellations of orders were resorted to in order to maintain an equilibrium between the world demand and the supply of shipping tonnage. Various professional experts have reviewed the international shipping condition during 1975 and I would prefer to rely on them.

5 Commenting on the state of freight markets in 1975, one of the shipping experts, in his review, stated that the volume of world sea-borne trade fell by 8 per cent during the year whereas the fleet strength increased by 11 per cent. Of the total world fleet of 548 million DWT at the end of the year, as much as 105 million DWT seemed to be surplus About 45 million DWT of tanker tonnage was laid up; slow-steaming reduced the efficient tanker fleet by further 40 million tons and 7 million tons were awaiting the cargoes. About 3 million tons DWT of dry cargo tonnage was laid up and as much as 10 million DWT was tied up in the congested ports of the Middle East, West Asian Gulf and Nigeria The freight markets showed no general signs of real improvement in 1975 - certainly not for tankers and larger bulk carriers, while freight rates for small bulk carriers, general cargo and specialised vessels declined from the reasonable levels attained earlier in the year

The tanker freight market passed through an unprecedented crisis taking into account even the early 1930s. Practically, all fixtures were below break-even rates and often not even covered bunker and Port Charges. A report published in the Fairplay International of 10th June, 1976 states: "very few Shipowners can be unaware of the four basic figures which control the density of the gloom surrounding the tanker market. These are (a) the capacity of world tanker fleet now at 291.43 millio DWT, (b) cancellations cu rently at 252 vessels represen ing 56 million DWT, (c) lai up vessels numbering 489 wit an aggregate of 50.85 millio DWT and (d) vessels for scrapping at 149 totalling 5.14 million DWT". The report add "several tanker owners fee that the survival at present i very much a strength of nerve the pressures to withdraw fro the business increasing dail with a corresponding decreas in the chances of survival". may add that these apprehensions were not completely unfounded. According to report recently published in Lloyds List, at least four shippin Companies are in the proces of being wound up.

6. Commenting on the Dry Cargo Market, another Report says that "With the exceptions of car transport, the Dry Cargo Market has been forced down under to owners' break-even levels The Steel Industry, which is highly vulnerable in the face of economic changes, has been very badly hit in 1975. One reason why, in spite of everything, the Dry Cargo Market has not weakened further is the USSR's vast grain purchases and heavy port congestions in Nigeria and the Middle East. The purchasing and Sales Sector has been marked by tumbling tanker prices; large bulk carriers have also fallen steeply in value."

7. Scrapping of shipping tonnages and more particularly tanker tonnages is being maintained at a high level but the ship breakers are finding it increasingly difficult to locate buyers of the processed scrap at economic prices. Other important features of the Industry were the record growth of world merchant shipping tonnage (63 3 million DWT) during 1975; the lowest level of the order-book in regard to world shipbuilding (26 million DWT) since 1964 and the propensity for conversion of bigger sized tanker contracts into bulk carriers culminating in the cancellation of orders for bulkers.

8. It would thus be seen that the impact of the depression

was deeprooted and all pervasive. Practically, none of the spheres of the Shipping Industry could avoid being hit by the slump to a greater or lesser extent, and the Indian Shipping Companies were no exception in this respect.

9. The gloom is however not expected to last long and some of the London based Shipbrokers feel that Shipowners have to wait until the later part of the current year for signs of revival. If laid up tonnage was any indication, the situation continued to deteriorate at least till the beginning of April, 1976. Thereafter, the situation appeared to have changed slightly for the better.

As on the first day of	Tonnage laid-up					
	Total		Tanker		Dry Cargo Ships	
	Number	Million GRT	Number	Million DWT	Number	Million GRT
March '76	714	28.8	532	51 6	182	1.9
April '76	753	29.3	544	52.2	209	2 0
May '76	735	28.0	529	51 0	206	2 1
June '76	706	27.1	513	49.0	193	1.8

10. The Economy of the Uniedt States has taken long strides towards recovery and that of Japan too seems to be following suit. The West German Economy, which did not experience the stress to the same extent as the economies of other developed nations, is appearing to be fast improving and all these may be indicative of at least a moderate revival in international trade in the not too distant future.

11. The international monetary situation continued to be fluid and the currencies of most of the advanced nations were floating. However, the U.S. Dollar has regained much of its lost ground and is showing signs of strength for quite some time now. The Pound Sterling has weakened considerably and the Indian Rupee, which was linked to Pound Sterling, was also declining in its value along with the Pound Sterling. Consequently, the Indian Rupee was delinked from the Pound Sterling and its international value is now determined in relation to a basket of currencies. Since delinking, the rupee value vis-a-vis the Pound Sterling has been revised upwards many times.

12. Such were the state of international trade and shipping during 1975 and naturally your Company could not be an exception in avoiding the impact. However, your fleet, having been engaged partly in liner trades, was not affected to the same extent as the lines operating solely in the tramp market. As a result of the expansion programme undertaken by the company, its tonnage had gone up and a part of this had to be kept employed even at very depressed freight rates with a view to cutting down the losses. Furthermore, due to the worldwide trade depression, the volume of cargo carried in the main liner trades in which your Company is operating, has also shrunk.

13. According to available estimates, the volume of U.K. Continental Conference trade has declined by about 33 per cent during 1975. Similarly, in the Indo-Soviet bilateral trade, in which your Company is a partner, the overall volume of trade, more particularly in the Eastbound direction, has suffered considerably due mainly to the reduction in the imports of fertilizers.

14. Turning our attention to the Indian Economy it is satisfactory to note that throughout 1975 prices have continually declined. At the end of the year, the index of wholesale prices was substantially lower than the index at the end of September, 1974. This success in controlling inflation is unparalleled in the recent history of any nation that was afflicted by inflationary pressures. It is to be noted that the success in this field has also been accompanied by an improvement in the public distribution system in respect of essential commodities. The Khariff Crop has also been excellent, and this has further enabled to maintain the price-line at a reasonable level. Although the onset of the Monsoon this year has been slightly delayed, it has been fairly widespread all over the country leading us to anticipate another bumper harvest.

15. The Prospects of our industrial growth have considerably brightened, during the year. The attainments already witnessed in the core sectors of the industry provide hopes for a substantial rate of industrial growth in the coming years. The public sector has now emerged as the leading sector in the industry. In fiscal terms, the growth rate of public sector output was of the order of 15 per cent during April/October 1975, over the corresponding period of the last year. Many public sector undertakings including steel, coal, fertilizers and electricity have shown a substantial increase in output and this is likely to help in maintaining the rate of growth of overall industrial production.

16. Reverting to the affairs of your Company, I would like to draw your attention to the working results achieved during the year. While reviewing the same, I hope, you will also please bear in mind the international shipping condition during 1975 which has just been detailed. You will please note that in spite of freight earnings etc. having gone up by about Rs. 4.5 crores, the working results obtained during the year, although much better than that of 1973-74, have come down considerably from that of the last financial year. You will recall that 1974-75 was an exceptionally good year in the recent history of the shipping industry and this should not therefore be considered as a yardstick for assessing the results. The comparative results for the years 1973-74, 1974-75 and 1975-76 are given below:

17. The effective number of ships employed during the year was higher by 4.2 due to the increase in the fleet strength of your company. Furthermore as a result of taking a shorter route to the Western Ports via Suez Canal, for the better part of the year, a greater number of voyages could be completed by a ship. This has resulted in increased availability of effective tonnages which had to be kept employed in the absolutely depressed Charter Market at almost 30% of the 1974 freight level, with a view to cutting down the losses. Besides, the earning potential of the ships had suffered due to the inordinate delays encountered at Black Sea ports and ballasting from place to place in search of cargoes. The average carryings per voyage has also come down considerably due to lack of adequate cargoes which in its turn has also affected the rate of earnings. In short, although the absolute amount of freight that was earned during the year was higher, the rate of per diem earnings of a ship, which is a more realistic indicator of performance, has come down very considerably from Rs. 48,000/- to Rs. 44,300/-, *i.e.* by about Rs. 3,800/-per day.

18. The operating expenses on the other hand continued to increase, more particularly at foreign ports, due to inflationary pressures that continued to afflict the economies of many countries. Consequently, the rate of per diem expenditure per ship (before charging depreciation and interest on loans) was higher during the year by almost Rs. 1,700/-. The net effect of both the above factors was a decline in the rate of profit-

	1973-74	1974-75	1975-76
Gross Profit (Lakh Rs.)	509	1059	785
Net Profit (Lakh Rs.)	329	809	411

ability by Rs. 5,465/- per day, as indicated below.

	IN RUPEES		
	1974/75	1975/76	Difference
Rate of earning per ship per day	48,071	44,308	-3,763
Rate of expenses (excluding depreciation and interest on loan) per ship per day ..	30,021	31,723	+1,702
Margin of operating Profit per ship per day	18.050	12,585	- 5 465

19. The expansion of fleet, financed mainly by raising loan from Foreign Banks, against Guarantees of nationalised Indian Banks, has resulted in an additional expenditure by way of interest, and the depreciation has also to be written off on the increased value of the fleet. Consequently, the rate of decline in the Net Profit has been much more pronounced than in the Gross Profit.

20. Before turning to the several aspects of the policy governing the growth of the Shipping Industry in India, I would draw your attention to the working of the Company during the current year. To put it frankly the prospects appear to the bleak despite all possible endeavours on the part of the Management to cut down the costs. As you are all aware, the Company's accounts are based on voyages completed by the fleet during the financial year. Accordingly, atleast a part of the voyages included in the last financial year were undertaken at a time when the Charter Market, although showing signs of weakness, had not crashed. But this benefit would not be available during the current year when the charter operations had to be undertaken at the extremely depressed market conditions; in fact, the charter voyages completed so far have been at lower than break-even point. Besides, delays at the Black Sea ports, although showing signs of slight improvement continue to be considerable and some of the voyages have also suffered inordinate delays at the Egyptian ports. Sailing with vacant space, waiting for cargoes and ballasting in search of cargoes—the current lot of the shipping industry have all been on the increase. Besides, the Company will require a larger amount towards payment of interest on loans and the depreciation on the fleet will also be higher. The impact of all these factors on the working results of the Company could only be adverse The Management is, of course, trying to exercise strictest control over the expenditure but as you are all aware, shipping costs are mostly such that they have to be incurred.

21. Speculation had been rife for sometime, whether or not the target set for the shipping tonnage for the fifth Five Year Plan viz., 8.6 million GRT with 1 million GRT on order, would be scaled down on account of the difficult situation faced by the Shipping Industry It is now confirmed from Newspaper Reports that the target would be lowered to about 7 million GRT with 0 8 million GRT on order, in view of the anticipated shortfall in the sea-borne trade by 38 million tons from 120 million tons estimated earlier. The operative tonnage at the beginning of the current financial year was 4.72 million GRT and the tonnage on order was about 0.87 million GRT. Therefore, the additional tonnage to be acquired by the end of the Fifth Plan, for achieving the revised target, would work out to 1.41 million GRT.

22. Naturally, the target in respect of the shipping industry is to be set after taking into consideration the various factors like trade movement, other national priorities and the financial constraints. But I would like to mention that the cost of acquiring ships is possibly the cheapest at the moment and that we are lagging far behind in our aim to carry 50% of the national cargo in national bottoms.

23. I would join the investors in the India to hail the Government's decision to repeal the provisions of the Companies (Temporary Restrictions on Dividends) Act, 1974, whereby a ceiling was imposed on the amount of dividends payable. This decision would go a long way in creating the necessary confidence in the minds of the investors.

24. Shipping Industry in India would welcome the scheme of the Investment Allowance which has been introduced in the last Finance Act in respect of certain priority industries including shipping, replacing the existing scheme of initial depreciation. The Investment Allowance will be @ 25% of the cost of ships acquired after 31st March 1976. The deduction on account of Investment Allowance will not be allowed unless 50% of the amount is credited to a special Reserve Fund to be called the Investment Allowance Reserve A/c. This reserve will have to be utilised for acquiring new ships within a period of 10 years and during the Interim period it cannot be utilised for distribution by way of dividend or profits or for remittances outside India as profits or for the creation of any asset outside India, failing which the rebate would stand disallowed. Under the Development Rebate Scheme too, the reserves created could not be utilised for decloring dividends etc. but it could be written back into General Reserve after 8 years. The other provisions relating to the Investment Allowance, like carry forward of unabsorbed amount for a period of 8 years withdrawal of the allowance in certain cases etc. are broadly on similar lines as those in the scheme of Development Rebate. For the purpose of this allowance, second-hand ships would be treated as new ships, if the conditions specified in relation to initial depreciation are fulfilled.

25. The scheme of initial depreciation, which was introduced in lieu of Development Rebate, conferred only the benefit of deferred taxation to the shipowners and was in no way a substitute for Development rebate. Hence the new concession which is on similar lines with Development Rebate will go a long way in mitigating the shipowners' problems of finding out resourses for acquisition of ships. However, I must stress that shipping had always received a preferential treatment in the matter of Development Rebates (40% as against 25% to other industries), and I would accordingly urge the Finance Minister that the shipping Industry has a strong case for enjoying the Investment Allowance at 40% of the cost of the ships on the analogy of the earlier Development Rebate grant. It would also greatly assist the companies if they are allowed to write back the Investment Allowance to General Reserves after the expiry of 10 years. I must emphasis here that newer and smaller Shipping companies and even some of the the larger ones with heavy repayment liabilities might find it almost impossible to comply with the qualifying conditions that the Reserve must be utilised within 10 years for the purchase of additional tonnage. The carry-forward period of 8 years should commence from the year in which the benefit is availed of. It would otherwise, be difficult for some of the companies to avail of the benefit because of the present depressed conditions of the freight market and the heavy backlog of unabsorbed Development Rebate on past acquisitions. Such a rearrangment in the scheme of Investment Allowance would greatly assist the growth of the shipping companies since they are otherwise likely to lose the benefits on account of their inadequate current earnings.

26. The other problems haunting the shipping industry in India, at the moment, are in respect of securing adequate funds for financing their ex-

pansion programme and the securities to be provided on such finance. Indian Shipyards do not extend deferred credits, but SDFC loans on more or less liberal terms are available for ships to be built in India. However, the difficulties in providing security for obtaining such loans, remain to be resolved Besides, SDFC does not provide loans in foreign exchange for new building from abroad or for purchasing second-hand tonnage, which is going relatively cheaper at the moment The shipping companies are therefore required to make these arrangements on their own, at not too liberal terms and conditions, and it is in this context that I feel that a fresh look into the existing arrangements is perhaps necessary

27. The condition of providing adequate security for obtaining SDFC/Foreign Exchange Loan had rendered the expansion of tonnage difficult in the past. We are indeed grateful to the Government and more particularly to the Shipping Ministry for the relaxation of the security requirements for SDFC loans from 133.1/3% to 120%. In this connection, the Government had also agreed, in principle, to the acceptance of 75% of the value of the work-in-progress as security for the loans in respect of ships under construction in India. This provision is still under consideration, and I strongly feel that this should be given immediate effect as otherwise replacement/expansion of shipping tonnage, which is highly capital intensive, would become more and more difficult even for the bigger companies.

28. It is also strongly felt that the ship itself should normally be considered as adequate security without requiring any additional assets to be offered by the loanees for the purpose It is our earnest hope and plea that the SDFC should function more as a liberal, development oriented financing agency, allowing suitable relaxation in the collateral requirements and other formalities that the commercial lenders would strictly insist upon.

29. Last year, I made a mention of the problems faced by the shipping companies in respect of their floating staff. I am happy to note that the Government has examined these problems. Consequently, the period of training for both the engineering and the deck Cadets have been reduced by raising the age-limit and level of qualification at entry. This would of course increase the availability of trained personnel; but meanwhile, the exodus continues and this leaves one to wonder whether or not some form of legislative measures would be necessary to put an end to this problem.

30. These were some of the major problems of the Indian Shipping which had affected and will continue to affect the Shipping Industry in India, unless immediate remedial measures are taken. I will now draw your attention to the following two major developments in the international shipping field, where your Company's interests are involved.

31. A new approach towards the established liner conferences is now discernible amongst the socialist countries. The Polish Ocean Line, with whom the three Indian liner companies are operating a bilateral shipping service between India and Poland, has joined the India / U.K. / Continental Conference and the Indo-Polish trade has also been brought within the purview of Conference Pooling arrangements by conceding 20% share to the Third Flag countries. The Soviet Union has also recently shown some interest in getting admitted to the U.K /Continental Conference and discussion in this regard is progressing. It may be recalled in this connection that the DSR—the German Democratic Republic shipping line had joined the U.K./Continental Conference some six years ago.

32. A new Shipping Agreement between India and the Soviet Union has been signed at New Delhi on 19th July 1976 replacing the earlier Agreement of 1956. The scope of this Agreement is broader and all the Soviet Ports (excepting those not open to commercial shipping) would now be open to Indian ships. Accordingly, Indian member lines of the Indo-Soviet bilateral service may have to think in terms of opening services to Russian Baltic and the Far Eastern Ports. Besides, India's right of participation in USSR's third country trade has also been accepted in principle.

33. I would now draw your attention to a few more events which are of some importance to Indian Shipping. Some hopeful progress was made recently in establishing a Regional Shipping Conference of the South and South-East Asian Nations with a view to providing regular shipping services to the trade in the region. At a meeting held from 4th to 7th May, 1976 and attended by the Representatives of India, Malaysia, Maladives, Singapore and Sri Lanka, their mutual problems were discussed and the idea of forming a Regional Conference was accepted in principle. A tentative outline of the Constitution for the proposed Regional Conference has been drafted for further consideration.

34. A long felt need for simplifying the rules in regard to the acquisition of ships, has recently been fulfilled by the Government through the appointment of an "Acquisition Committee". This Committee is now holding meetings, twice a month, for clearing proposals for the acquisition of ships. This has gone a long way in reducing the inordinate delays that used to be experienced in obtaining clearance from the Government for the purchase of ships and more particularly, in the case of second-hand vessels where time is the most essential factor in the successful conclusion of a purchase.

35. As for the additional acquisition of your Company, I am glad to mention that the third Freedom Type Cargo Liner Vessel, about which I referred to in the last Annual General Meeting, has since been acquired. The Company's fleet strength, as on 31st March 1976, stood at 22 vessels aggregating to 206,759 GRT or 291, 472 DWT. This would mean a very impressive growth rate of 45% in terms of GRT and 55% in terms of DWT, over the last three years.

36. Pursuing a policy of expansion, the Company has acquired the Fourth Freedom Type Cargo Ship of 14800 D.W.T. after the close of the financial year and has also recently concluded negotiations, subject to inspection and the Government's approval, for the acquisition of the Fifth Freedom Type Ship.

37. The second ship ordered on the Hindustan Shipyard viz. "Indian Explorer" was successfully launched on 17th November, 1975 and is expected to be delivered by the end of 1976. The construction of the two Pioneer Type ships ordered on the Hindustan Shipyard, Visakhapatnam is fast progressing and Keel for both the ships has been laid. The Company has signed a Letter of Intent for two medium sized Bulk Carriers with one of the Indian Shipyards, namely Garden Reach Workshops. The Company is also presently negotiating for a few more second-hand dry cargo liner ships.

38. I take this opportunity to extend a very hearty welcome to Dr. G.S. Dhillon, Minister of Shipping & Transport, who assumed charge of the Ministry sometime back. I have no doubt that the Industry will benefit much from his active interest, wise guidance and far-sighted approach to the very difficult problems cur-

rently faced by the Shipping Industry in India.

39. I would like to place on record my very grateful thanks, on my own behalf and also on behalf of you all, to Shri Uma Shankar Dikshit for the valuable guidance that he gave to us during his tenure of office as the Minister of Shipping & Transport, at a most difficult period in Indian Shipping. I would also like to express my cordial thanks to Shri M.H. Trivedi the Minister of State for Transport and Shipping, for the keen interest that he is evincing in the cause of the Industry. The Shipping Industry I hope will continue to benefit from his profound knowledge of the Industry, and from his rich experience.

40. The Secretary to the Ministry of Shipping & Transport, Shri M. Ramakrishnayya and his Officers, and the Director General of Shipping and his office have all rendered us valuable help with their advice and guidance and I am thankful to them. I am also thankful to the Shipping Development Fund Committee for their co-operation and assistance.

41. I am thankful to all the Officers and Staff of the Company, both afloat and ashore, for the devotion and zeal with which they have looked after the affairs of the Company.

42. My thanks are also due to our Agents, both in India and abroad, for the care with which they have attended to our ships' requirements in respect of freight as also in several other directions.

43. I would sincerely thank all the Shippers and Brokers, both in India and abroad, for lending their continued and firm support to us, in a very difficult period.

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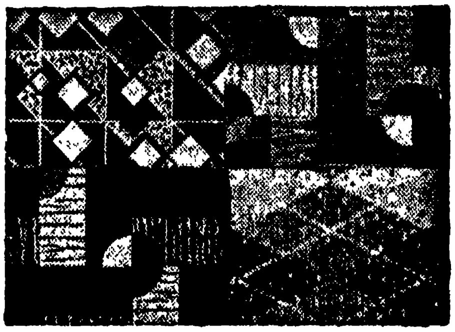
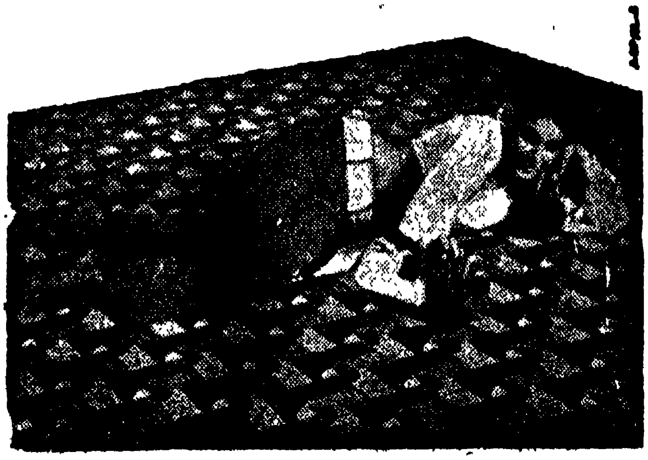




The Aluminium Industries Ltd.

Chairman's Statement

Addressing the Thirtieth Annual General Meeting at the Registered Office of the Company at Kundara on Saturday, the 25th September 1976, Mr S. Narayanaswamy, Chairman, said:

Gentlemen :

I HAVE great pleasure in welcoming you to this 30th Annual General Meeting of the Company. The Report and Accounts for the year ended 31st March 1976 have been in your hands for some little time and I have no doubt you have had occasion to peruse them with interest. I shall take the Annual Report and Accounts as read.

The year 1975 76 has been a year of decisive recovery for ALIND in many ways, not only profit-wise but also production-wise The profits before providing for depreciation and interest charges amounted to Rs 243.38 lakhs, with the corresponding figure of the prior year being Rs 193.97 lakhs The interest charges incurred during the year were substantially higher at Rs. 114 lakhs against Rs. 96 lakhs in the preceding year. This was directly ascribable to the larger working funds availed during the year and the higher rates of interest we were called upon to pay for bank funds so utilised. We achieved a net profit of little over Rs. 100 lakhs after charging depreciation amounting to Rs 28 40 lakhs. I am glad that from the profits after making sundry adjustments and providing the first instalment of the Debenture Sinking Fund, it has been possible for your Board to recommend payment of preference dividend including the one due for the year under review totalling eight years. The distribution of the preference dividend involves a sum of Rs. 61.39 lakhs and your Board was happy to announce an Equity dividend of 8% which absorbs Rs 21.59 lakhs. With the backlog of preference dividend so onerous, it was not possible to improve on the rate of Equity dividend during the year, without making too massive a draught on our working funds and dislocating our ways and means.

Mr. S. Narayanaswamy

Your Board was deeply conscious of what Equity Shareholders have gone without for so long a period. However, such massive payments are a non-recurring item next year. It is my hope that we should therefore be able to pay the Equity shareholders a better dividend in the coming year. Shareholders will be glad to know that our earnings for 1975-76 do not attract any tax liability, an advantage which will continue to accrue during the current year also. Such performance was possible mainly as a result of our increased sales during the year amounting to Rs. 1884 lakhs compared to Rs. 1130 lakhs in the previous year, which is in accordance to the expectations spelt out in my speech last year. May I say this is the direct result of our not being bedevilled by power shortage or Electricity Boards being hampered for want of funds. Exports during the year totalled Rs. 149 lakhs. Increased cost of indigenous aluminium metal in the country has reduced our competitive capacity abroad. The one major advantage we had earlier was the low price of the metal in the Indian market. However, external metal prices are showing an upward trend and there is every hope that this might restore for us at least in part the advantage that we had in prior years. This should help us to improve our export performance.

Conductor Division

There was a substantial improvement in the output and sale of Bare conductors during the year which improved to 8620 MT from 5760 MT in the previous year. This must be put down in the main to easier procurability of all the major items like aluminium, steel, zinc and PVC. I am glad to testify to the healthy continuance of material availability during the current year. The increase in the price of electrolytic aluminium metal by about 55% to which I made a reference last year, has not eroded the profitability of our Conductor Division's operations, as most of our contracts with Electricity Boards and Project authorities are covered by suitable price escalation clauses. However high priced metal meant considerably heavier working capital. During the year we have had to handle a larger volume of raw material at approximately 55% higher prices—and this was a problem, in the solution of which our Bankers have shown deep understanding, by extending the larger credit facilities needed by the Company. We have at the same time, done appropriate belt-tightening by keeping our inventories at minimum levels, in order to obviate wasteful bank charges. I am glad to say that the Conductor Division contributed massively to our year's profitability.

Steel Products Division

As shareholders are aware, we have doubled the installed capacity of our unit, but this Division was able to increase output during the year only marginally, as we had to regulate production to the requirement of a market overcome by the general recession in demand for steel wire. I am happy to announce that this Division has started manufacturing special steel wire products like armour wire, spring steel wire and umbrella rib wire, over and above our own captive requirements of ACSR core wire and the already established lines of production such as PC wire and earth wire. Reports from the Engineering Industries indicate an improvement in demand and there are indications of an improvement in the ranges of steel wire, such as we are in [illegible] position to offer. I have reason to hope for further improvement in the activities of this Division with the speedier lifting of recessionary conditions.

Machinery Division

The turnover from this Division was marginally better at Rs. 135 lakhs from Rs. 110 lakhs of the preceding year. The Division has been able to maintain operations at improved levels mainly through undertaking jobbing work from sister engineering industries. We have also improved our output through the installation of additional balancing equipment. You are all aware of the extremely difficult conditions that have been obtaining in the capital market for plant and machinery in the last two years, with several cable units working at disturbingly below installed capacity. Replacement requirements as well as plans to instal additional capacity were held over in many cases for want of finance. In spite of many handicaps, here again I see some improvement in the market conditions which should result in a larger flow of orders to our Machinery Division. Since the close of the year, we have received Government's approval for diversification of the production of this Division, which enables us to go into manufacture of Coal Handling and Beneficiation equipment and specialised types of wire working machinery.

Switchgear Division

There was a substantial increase in the turnover of this Division to Rs. 226 lakhs from Rs. 84 lakhs in the previous year. But the profit margins here have not been as good as expected. Thus the contribution to the profits was not proportionate to the increase in turnover. The current pattern of the order book is such as must enlarge the Division's contribution of profits. ALIND has reached an agreement with its Collaborators Messrs Delle-Alsthom of France for manufacture of Static Relays. Government of India have approved our foreign collaboration agreement with Delles in respect of higher ranges of Switchgear namely 132 Vk & 220 kV. This includes a licence for the manufacture of Sulphur Hexafluoride switchgear in the aforesaid range. These licences will considerably widen the scope of our activities and enable us to meet the sophisticated requirements of the switchgear market in India.

Export Division

I have briefly referred to the position regarding our exports already. The Conductor manufacturers in India have been finding it difficult to make a major dent on the international market, mainly because of aggressive competition from Japan and Taiwan As a result of representations made by the Cable Industries to Government, the Government have fixed the Cash Assistance for ACSR and AAC at 10%. I am glad to report that we had recently received more promising enquiries for conductors from the South-East and West-Asian countries. This should result in a better export performance in the second half of the current year. ALIND received during the year the award for being the largest exporter of Electrical conductors from the Cable and Conductor Manufacturers' Association. We have also received a Merit Certificate from the Engineering Export Promotion Council.

Consultancy & Engineering Services

We have concluded an agreement with a Delhi firm for setting up a Steel wire plant in Punjab and the project is in the process of being implemented. The Consultancy Division has been quite active and has sufficient contacts with prospective clients who are interested in setting up Conductor and Steel wire units.

I wish to make a few general observations that have direct relevance to the future of the Cable and allied industries and which would help to broad-base our exports.

Perhaps the most significant development over the last one year is that Electricity Boards in the country have bestirred themselves and imported a sense of urgency into all project implementation effort, while Central Government through the Planning Commission and the Central Electricity Authority have been speedily sanctioning viable schemes, consistent with resources earmarked for power development. The partial failure of the June/July showers on the West Coast of India has brought in its wake the familiar problem of inadequate replenishment of hydel waterheads, that has in turn imposed considerable strain on thermal systems as in Tamil Nadu —while adding to the anxieties of States like Kerala, that operate only hydel systems of generation, to which has recently been added the Idikki hydel generation system. Every far-seeing person realizes the need to enrich the regional power-grid by supplementing existing sources by erection of thermal units in the region. It is my hope that the Tuticorin coal-based thermal unit, the Kalpakkam nuclear fuel station and addition to the Neyveli lignite-burning power boilers in Tamil Nadu and the large-sized thermal stations that are coming up near the Singareni coal fields in Andhra Pradesh, will all be making copious contributions to meet the enlarging power demands of industry and agriculture in the Southern region. Project authorities all over India are only too well aware, that both the plant and machinery requirements of generating stations, no less the equipment needed for sub-stations and distribution systems are all available within the country and therefore scarcity of material cannot be the problem. Indeed the massive installed capacity in the country is currently being used to meet the needs of large-sized power stations and distribution systems abroad—particularly in West Asian and African countries as well as South-East Asia. Under the leadership of BHEL, Indian firms have been taking on turn-key jobs that help our domestic installed capacity to be better utilized, so that material constraints are no more India's problem on the power development front.

This takes me on to the subject of Exports and Governmental assistance to exporters. Taking I.D.A. orders, exporting units would be financially in a far more comfortable position and work far more enthusiastically to enrich their foreign order-book, if Duty Draw Back and Cash Assistance claims were more promptly met —because with Bank Credit terms becoming more stringent recently, transitional ways-and-means squeezes tend to cramp the production style of units seriously. Documentation required is also becoming increasingly complex and involves needless deployment of energies and man-hours from more productive work. The answer to this is diluting the present concentration of applications and their disposal at the J.C C.I. office at Delhi and empowering the Deputy Chief Controller's offices in the regions to deal with them, so that speedier settlement of claims is secured.

As for exports themselves, the speedy and substantial changes that occur in international markets owing to currency fluctuations and erosion of our own competitive capacity as happened last year, through the sharp increase in domestic aluminium metal prices, that neutralized the price, differential advantage we had in earlier years--are factors that a 10% Cash Assistance cannot hope to compensate. While our Government can do nothing about external monetary factors, they can exempt raw material and other inputs from sales-taxes and intermediate excises in so far as they relate to export goods--that should improve the Indian exporter's bargaining power abroad to a degree.

The National Emergency has stabilized production norms in factories and freed them from the economic waste involved in occasional cessation of work or go-slow in order to settle industrial disputes and this is a great gain. Prices of essentials have come down in some cases and been frozen in others bringing relief to the Industrial units in terms of dearness allowance outgoings, which some two years ago had assumed disconcerting proportions. I am sure that you would join me in tendering our gratitude to the Central and State Governments for enabling us to achieve a degree of economic stability, without which planning, projecting or budgeting become exercises in futility.

I am glad to say that operations in the first five months of the current year have generally maintained the trend of the year I have earlier reviewed. During the year Mr. K.R. Srinivasan who represented the Life Insurance Corpn. on our Board passed away on 5th April 1976. He made knowledgeable and constructive contributions to our Board's deliberations during his term of office. We shall miss him very much. Mr. Srinivasan's place was taken by Mr. B. Ramu, presently an Executive Director of Life Insurance Corpn. of India. We welcome him. Mr. N. Srinivasan was nominated representative of Kerala Financial Corpn in place of late Srinivasa Karayalar. Mr. M. De La Salle was nominated to the Board by Messrs Delle-Alsthom, our French Collaborators in place of Mr. G.J. Aubry. On behalf of you all I welcome these two gentlemen to our Board.

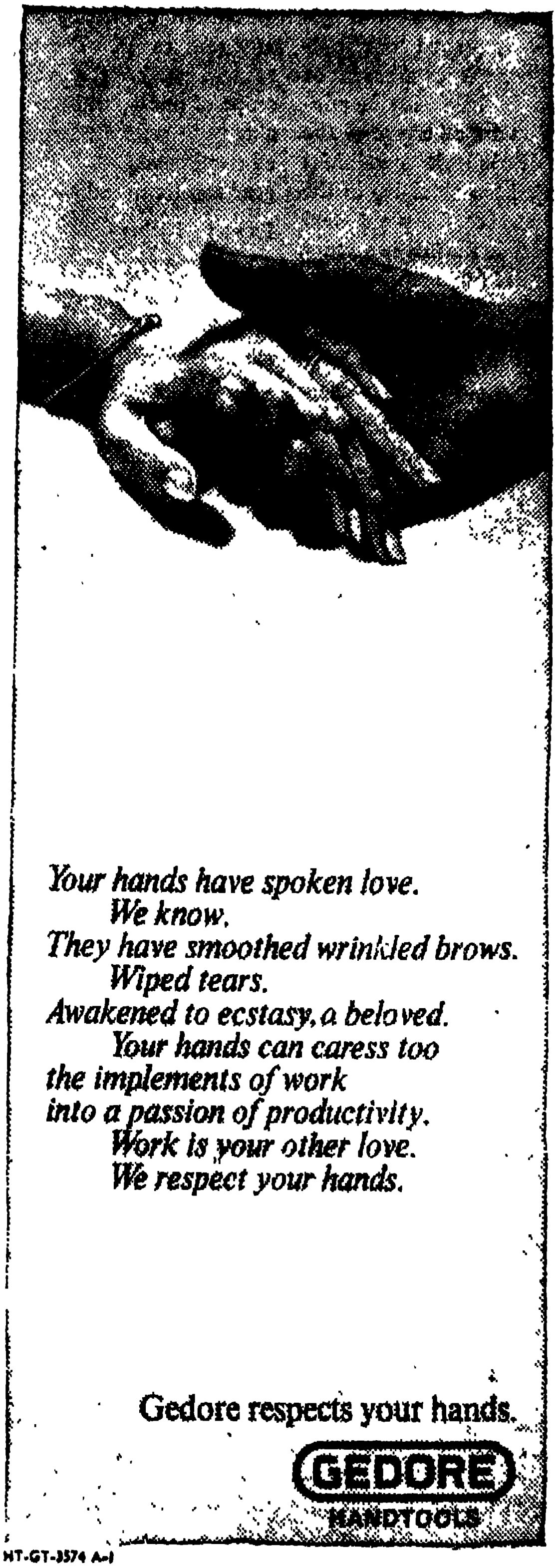
I wish to convey our deep thanks to Messrs Delle-Alsthom, whose sustained interest in our Mannar plant has helped us to grow and to manufacture newer ranges of Switchgear. I wish to thank the Life Insurance Corpn of India, the Industrial Credit & Investment Corpn. of India the Industrial' Development Bank of India, the Unit Trust of India; the Kerala Financial Corpn., and the Andhra Pradesh State Financial Corpn. for their assistance and continued interest in our work.

I wish to thank our Bankers, the State Bank of Travancore, the Bank of Baroda, the Punjab National Bank and the Canara Bank for the unstinted support they have given us during the year.

I tender my gratitude to Mr. B.V D. Menon, the Managing Director for his fine leadership. I thank the three General Managers, all ranks of supervisory and General Staff and Workers for the ungrudging work they have put in during the year.

I thank you Gentlemen for your forbearance.

N.B.: *This does not purport to be a report of the proceedings of the Annual General Meeting.*


Your hands have spoken love.
We know.
They have smoothed wrinkled brows.
Wiped tears.
Awakened to ecstasy, a beloved.
Your hands can caress too
the implements of work
into a passion of productivity.
Work is your other love.
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COMPANY AFFAIRS

Kanoria Chemicals

KANORIA CHEMICALS and Industries Ltd, has reported commendable progress during the year ended March 31, 1976. The company's sales recorded a sharp rise to Rs 9.02 crores from Rs 7.49 crores in 1974-75 while gross profit amounted to Rs 130.79 lakhs as compared to Rs 146.55 lakhs in the previous year.

Out of the gross profit, a sum of Rs 39.45 lakhs was appropriated to depreciation reserve while Rs 46.50 lakhs was allotted for meeting tax liabilities, leaving a surplus of Rs 44.84 lakhs. Out of this, a sum of Rs 23 23 lakhs was transferred to general reserve, while a sum of Rs 14.13 lakhs was earmarked for payment of dividends. A sum of Rs 7.54 lakhs has been carried forward as against Rs 5438 brought in. The directors have recommended a dividend of Rs 1.20 per equity share. The proposal is however subject to the approval of the IFC and ICICI. The proposed dividend will absorb Rs 10.75 lakhs and will be paid out of the provision for dividends. An application is being made to the income tax department to determine the quantum of this year's dividend which will be exempt under Section 80K of the Income Tax Act 1961.

Production of caustic soda went up to 22,902 tonnes from 19,981 tonnes, while the output of benzene hexachloride increased from 5,185 tonnes to 7,605 tonnes. Production of stable bleaching powder too was higher at 5,341 tonnes as against 3,466 tonnes in the earlier year.

Expansion of the stable bleaching powder from 5,000 tonnes to 10,000 tonnes per annum was completed during the current year. Besides it has undertaken the expansion of the benzene hexachloride plant from 6,000 to 12,000 tonnes per annum for which it is holding a letter of intent. The company could not proceed further with the implementation of the methyl methacrylate monomer project due to various unforeseen difficulties and have surrendered the letter of intent to the central government. During the year the company's exports increased to Rs 17.79 lakhs from Rs 14.45 lakhs in the preceding year.

Brooke Bond

Early in August 1976, Brooke Bond India Ltd has allotted seven bonus shares for every 10 equity shares held by the members of the company as on August 3, 1976.

In order to reduce the foreign shareholding from 75 per cent to 60 per cent and increase the Indian participation, the company is offering 28,56,150 equity shares of Rs 10 each for cash at a premium of Rs 3 each, as rights shares to Indian nationals resident in India, in the ratio of one new equity share for every equity share held by such members, including the bonus shares allotted in August, 1976. A sum of Rs 6.50 is payable on application and the balance in two calls.

Brooke Bonds has diversified into non-traditional products, such as spices, processed foods, marine products and leather goods. It has obtained an industrial licence for the setting up of a plant for the manufacture of corned meat and by-products, an export oriented project, in the backward district of Aurangabad, Maharashtra. This entitles it to special fiscal incentives, cash subsidies and concessional finance. Civil work has already commenced and orders have been placed for the import of machinery. The project is expected to go into production by early 1978. The majority shareholder, Brooke Bond Liebig Ltd, London, who is one of the world leaders in the meat trade for over a century, has made available the technical know-how. The project, which is likely to cost Rs 6.75 crores, will be financed partly from the proceeds of the rights issue and partly by long-term loans.

Besides, Brooke Bonds has also diversified into the field of manufacturing of high speed printing and packaging machines. It is also investigating the possibilities of setting up a marine fisheries project.

The company's performance on the export front is indeed commendable, with exports increasing from Rs 15.86 crores in 1971-72 to Rs 37 crores in 1975-76 which is now approximately one per cent of the export earnings of the country.

Uni Abex

Uni Abex has completed supply of 208 reformer assemblies to Gujarat State Fertilizer Co Ltd in August 1976. The successful completion of this prestigious order worth more than a crore of rupees is yet another pioneering effort done by Uni Abex in this field. Uni Abex had achieved the distinction of manufacturing the first Indian made reformer tube when it successfully executed the first order for reformer tube assemblies, from Hindustan Petroleum in September 1975. When Gujarat State Fertilizer Company needed reformer tubes, it looked for a company that will "deliver the goods" its choice naturally fell on Uni Abex. And, Uni Abex has successfully measured up to the expectations of GSFC.

Reformer Tubes

Reformer tubes form vital components in fertiliser and petrochemical complexes. These tubes required to withstand high temperatures and pressures, are made out of high alloy steels by centrifugal casting process and subsequent fabrication to very rigid standards. For instance, the reformer tubes made for GSFC have been designed to withstand temperatures as high as 900°C, for over 100,000 continuous working hours. They have been inspected and certified by Lloyds Register of Shipping.

Uni Abex, established in collaboration with Abex Corporation, USA manufactures a wide range of sophisticated high alloy castings. Uni Abex, the newest member of the Abex family, benefits from the world-renowned Abex technology and puts it to work at their well equipped foundry near Bombay. Highly skilled engineers, specially trained at the Abex plants in the USA, ensure international standards of quality in the castings produced by Uni Abex.

The Uni Abex production plant is the largest and most modern of its kind, incorporating automated centrifugal casting equipment in addition to extensive sand and shell moulding facilities. Employing top-rated foundrymen, the plant produces castings upto 700 kg each, by static process in addition to tubes with outside diameters upto 300 mm by centrifugal casting, assembly welded to any length.

Uni Abex is currently executing orders from Madras Refineries, Indian Explosives, FACT, FCI-Namrup and Trombay, Hindustan Organic and others for a large number of reformer tubes including repeat orders from Union Carbide for the ethylene cracker coil and from Hindustan Petroleum for reformer tubes. The company has been supplying other import substitution items for many engineering concerns in the country besides developing castings for several nuclear applications.

The successful delivery of reformer tubes to Gujarat State Fertilizer Co Ltd by Uni Abex, thus marks the beginning of its march towards self reliance in meeting the needs of fertiliser, petrochemical and other vital industries.

Hukumchand Jute

The working of Hukumchand Jute Mills Ltd has resulted in a profit of Rs 120.73 lakhs. After adding Rs 9,291 brought forward the disposal surplus amounted to Rs 120.82 lakhs. Out of this, Rs 25.01 lakhs was allocated to depreciation reserve, Rs 4.30 lakhs for development rebate reserve (for earlier years) Rs 43.50 lakhs for taxation, Rs 38.03 lakhs to general reserve and Rs 9.94 lakhs as provision for dividends. The balance of Rs 4,174 has been carried forward. The directors have recommended a dividend of Rs 0.90 per equity share. This will absorb Rs 6.30 lakhs. Besides the directors have proposed payment of dividend on 9.1 per cent cumulative preference shares. It will claim Rs 3.64 lakhs.

In spite of increased production and sales in the jute mills division, financial results were unsatisfactory due mainly to sharp fall in sales realisation. Apart from this there was a sharp escalation in cost of raw materials, stores, fuel, power charges, dearness allowance and other inputs.

The working of the chemicals division was satisfactory. The production was higher than in 1974-75 and could have been still higher but for power rationing and unscheduled power tripping. Steps are in progress to develop advanced methodology to improve the working further. The company has received a letter of intent to manufacture 10,000 tonnes of stable bleaching powder. Necessary steps are being taken for the implementation of the project.

Instrumentation Limited

Instrumentation Ltd has once again come out with better working results for the year 1975-76. A record turnover of Rs 1059.37 lakhs, an all time record growth of 60 per cent in its turnover from last year, with an overall profit of Rs 63.25 lakhs, are some of the highlights of the performance of the company during the year under review.

In its efforts to meet the growing requirements of more facile and sophisticated instruments, the company has launched modernisation and diversification schemes encompassing most modern and miniaturised electronic and pneumatic range of products with computer compatability in collaboration with M/s George Kent, UK and sophisticated gas analysers in collaboration with M/s Hartmann & Braun, West Germany. The company has already been manufacturing modern control, safety and relief valves at its Palghat factory in collaboration with M/s Yamatake-Honeywell Co Ltd, Japan since last nine months.

Moreover, a number of products have been developed and produced through "in-house" R&D efforts. The company has made valuable contribution in the export field by earning nearly Rs 100.00 lakhs last year in foreign exchange by providing turn-key instrumentation services at Tuanku Za'afar Power Station in Malaysia. Negotiations are afoot on several other projects in South-East Asia and Middle East.

News and Notes

There has been one more addition to the Scindia fleet when the **Scindia Steam Navigation Co Ltd**, acquired 18510 tonner Concord type motor cargo vessel The vessel has been built by Messrs Mitsui Shipbuilding and Engineering Co Ltd, Japan.

The vessel M.V. "JALA-BALA" has ahcady been acquired by the company. With this addition, Scindias tonnage has reached 825,300 DWT with 47 ships.

Gujarat Industrial Investment Corporation Ltd (GIIC) has sanctioned total assistance of Rs 62.50 lakhs in various inputs for a premier machinery manufacturing project in Gujarat now engaged in producing textile machinery, spinning machinery, automatic looms and synthetic fibre machinery. The project is now moving forward to a Rs 4.5 crore total modernisation and expansion programme ensuring higher productivity and new product-mix. With notable foreign collaboration the phased programme will render production facilities reasonably balanced and equipped to take on manufacture of hydraulic gear boxes.

The board of directors of **Camphor and Allied Products Ltd** has decided to issue bonus shares to the existing shareholders of the company in the ratio of one bonus share for every two equity shares held by them.

Subject to the sanction of the Controller of Capital Issues, correspondingly, entitlement of bondholders of the company, to the equity shares, on conversion, and premium thereon, will also be changed in terms of the issue.

The shareholders will be entitled for the dividend for the working of the year 1976 on their increased shareholding consequent to the allotment of the bonus shares in the above ratio, when allotted.

New Issues

Consolidated Steels and Alloys Ltd, is offering 180,000 equity shares of Rs 10 each and 10,000 (11 per cent) redeemable cumulative preference shares of Rs 100 each for cash at par to the public for subscription. The subscription list for this fully underwritten issue opens on October 6 and will close on October 16 or earlier but not before October 9, 1976. The company has obtained an industrial licence for manufacturing 25,000 tonnes of all types of special and mild steels and is setting up for this purpose a plant at Banmore industrial area near Gwalior in Madhya Pradesh. Barring unforeseen circumstances trial production is expected to commence by June 1977 and commercial production soon thereafter.

Springs Steel is putting up a project at Sahibabad, in Uttar Pradesh for manufacturing 540 tonnes of precision metallic springs per annum in technical collaboration with Spring Steel of the UK. The raw materials needed for this project are available indigenously. Commercial production is expected to start by the middle of next year There is a large demand for precision springs and hence the management does not anticipate any difficulty in marketing its entire production. To raise part of the resources required for the implementation of the project, the company will soon be entering the capital market with a public issue of Rs 41.80 lakhs, consisting of 3,48,000 equity shares of Rs 10 each and 7000 (11 per cent) cumulative redeemable preference shares of Rs 100 each.

Coromandel Agro Products and Oils will be offering shortly for publie subscription 2,90,000 equity shares of Rs 10 each and 6000 cumulative redeemable preference shares of Rs 100 each for cash at par. Promoted by a group of technocrats jointly with the Andhra Pradesh Industrial Development Corporation, the company is setting up a Rs 1.70 crore integrated cotton seed processing complex at Jandrapeta in Parkasam district of Andhra Pradesh. a notified backward area, with a capacity of 100 tonnes of cottonseeds per day. The company wiil be manufacturing a wide range of products including refined edible oil, toasted meal for use in animal feeds, protein concentrates and linters for rayon pulp. Barring unforeseen circumstances commercial production is expected to begin by April 1977. As the demand for cottonseed oil is increasing steadily the company will not be experiencing any difficulty in marketing its entire production of oil and other by-products. Apart from saving foreign exchange through increased availability of edible oil, this company also hopes to earn foreign exchange through export of toasted cottonseed cake. The project cost of Rs 1.70 crores will financed by the share capital of Rs 65 lakhs and term loans of Rs 1.05 crores.

Capital and Bonus Issues

Consent has been granted to 10 companies to raise capital of nearly Rs 54 36 million. Details are as follows :

Maharashtra Scooters Ltd, Poona, having a paid-up equity capital of Rs 5.1 million has communicated to government of its proposal to issue capital under Clause 5 of the Capital Issues (Exemption) Order, 1969 for Rs 4 9 million in 490,000 equity shares of Rs 10 each to meet part finance for setting up a plant at Satara to manufacture scooters and spares.

Fouress Engineering (India) Private Ltd, Bombay, has been accorded consent, valid for six months to capitalise Rs 425,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every equity share held.

The Bharat Vijay Mills Ltd, Kalol, Gujarat, has been accorded consent, valid for six months, to capitalise Rs 4 million out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for each equity share held.

Otis Elevator Company (India) Ltd, has been accorded consent, valid for six months to capitalise Rs 4.5 million out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of two bonus shares for every five equity shares held.

Kirloskar Oil Engines Ltd, Poona, has been accorded consent valid for six months to capitalise Rs 17,250,000 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of three bonus shares for every seven equity shares held.

Deepak Industries Ltd, Calcutta, has communicated to government of its proposal to issue Capital under Clause 5 of the Capital Issues (Exemption) Order, 1969 for Rs 500,000 divided into 50,000 fully paid equity shares of Rs 10 each to be issued to the Industrial Credit and Investment Corporation of India Ltd, Bombay, at par. The equity shares in question are being issued to ICICI in conversion of part of their loan of Rs 2.5 million granted to the company already.

Andhra Pradesh Tanneries Ltd, Vizianagaram, has communicated to government of its proposal to issue capital under Clause 5 of the Capital Issues (Exemption) Order, 1969 for Rs 6 million divided into 600,000 equity shares of Rs 10 each for cash at par to me part of the finance required f finished leather project to t set up at Vizianagram.

Madhusudan Brothers Lt Bombay, has been accorde consent valid for six months t capitalise Rs 18,000 out of i general reserve and issue full paid equity shares of Rs 5 each as bonus shares in th ratio of two bonus shares f every five equity shares held.

Gedore Tools (India) Prival Ltd, New Delhi, has bee accorded consent, valid for si months to capitalis Rs 1,764,800 out of its genera reserve and issue fully pai equity shares of Rs 100 eacl as bonus shares in the ratio o one bonus share for eac equity share held.

Kap Steel Ltd, Bangalore, ha communicated to governmen of its proposal to issue capita under Clause 5 of the Capita Issues (Exemption) Order fo Rs 4 million in equity share of Rs 10 each and Rs million in preference shares o Rs 100 each to meet par finance for setting up a stee plant at Bangalore.

Dividend

(Per cent)

Name of the company	Year ended		Equity dividend declared for	
			Current year	Previous year
Higher Dividend				
Kirloskar Pneumatic	June	30, '76	16.0	15.0*
Alageswar Estates	March	31, '76	15.0	10.0
Kalpetta Lstates	April	30, '76	20.0	3.5
London Rubber	March	31, '76	25.0	10.8
Same Dividend				
Bharat Forge	June	30, '76	12.0	12.0
Mahendra Mills	March	31, '76	10.0	10.0
Tata Hydro Electric	March	31, '76	13.0	13.0
Tata Power	March	31, '76	13.0	13.0
Andhra Valley Corpn.	March	31, '76	13.0	13.0
Gujarat Steel Tubes	March	31, '76	12.0	12.0
Reduced Dividend				
Shaw Wallace	Dec.	31, '75	15.0	20.0

*For fifteen months ended June 30, 1975.

Cement & Gypsum Products

M/s J & K Cements Ltd; The Bund, Srinagar, (Jammu & Kashmir)—(Anantnag, Kashmir)—Portland Cement—2 Lakh tonnes—(NU)

Letters of Intent

Metallurgical Industries (Ferrous)

M/s Hakimrai Jaichand Forgings Pvt Ltd; United Bank of India Bldg; Sir P.M. Road, Bombay—(Maharashtra)—Steel Forgings-including Closed Die Forgings—6,300 tonnes—(SE)

Prime Movers

M/s Kirloskar Oil Engines Ltd; Laxmanrao Kirloskar Road, Kirki, Poona—(Kirki, Poona, Maharashtra)—Internal Combustion Engines upro 160 HP type RE.—12,000 nos within the licensed capacity—(NA)

Electrical Equipments

M/s Bharat Electronics Ltd; Jalahalli, Bangalore—(Bangalore-Karnataka)—Tape Recorders of all Sorts—500 numbers—(SE)

M/s Electronics Corpn of India Ltd; Industrial Development Area, Cherlapalli, Hyderabad—(Hyderabad - A. Pradesh)—Automatic Warning System—150 nos; Electronic Axle Counters—100 nos—(NA)

M/s Systronics; 89/92, Industrial Area, Naroda, Ahmedabad —(Naroda, Ahmedabad, Gujarat)—Flourimeters and HB Meters—150 nos; Nephelo & Turbidity Meters—150 nos; Counters, Cell/Radio Active—100 nos; Electrophoretic & Centrifugal Separators—200 nos; LCR Bridges—100 nos; PH Meters—300 nos; Electro Cardiograms—100 nos—(SE)

M/s Phillips India Ltd; Shivsagar Estate, Block 'A' Dr. Annie Besant Road, Worli, Bombay—(Poona-Maharashtra)—Carbon Resistor Bodies—1,500 mill nos—(SE)

Transportation

M/s Economic Development Corpn. of Goa, Daman & Diu Limited; 2nd Floor, Shri Saraswati Mandir Building, 18 June Road, Panaji—(Goa)—Crank Shaft Assemblies—1,65,000 nos—(NU)

M/s Khemka Spares & Accessories Pvt Ltd; Indian Chamber Buildings, Esplanade, Madras—(Bangalore-Karnataka)—Differential Crown Wheel and Pinion for Automobiles Tractors & Machine Tool Industries—300 tonnes; Hypoid, Straight and Beval Gears—15,000 sets—(NU).

Industrial Machinery

M/s Industrial & Agricultural Engg. Co (Bombay) Pvt Ltd; 43, Dr V.B. Gandhi Marg, Bombay—(Maharashtra)—Condenser and Heat Exchanger, Cooling Water, Filtering and Heat Exchanger Tube Cleaning Equipment—Rs 30,00,000—(NA)

Miscellaneous, Industries

M/s Mahabir Plastic Industries; 6-Canal Road, Calcutta-53—(Shahibabad, Gaziabad, UP)—Multiple Cell Hollow Plastic Boards of Low Density Polythene—600 tonnes; Multiple Cell Hollow Plastic Boards of Low Density of Polypropylene—400 tonnes; Profiles and Sections in Polypropylene and High Density P.E.—400 tonnes—(NU).

Chemicals (Other than Fertilizers)

M/s A.L.A. Chemicals Ltd; Mahalaxmi Chambers, Bhulabhai Desai Road, Bombay—(Thana-Maharashtra)—Leather Auxiliaries—1,000 tonnes—(NA)

M/s Mandovi Shipyard Pvt Ltd; Post Box 134, Kadar Manzil, Margao—Dissolved Acetylene Gas—0.20 MCM—(NA).

M/s Synthetics & Chemicals Limited; 7-Jamshedji Tata Road, Bombay—(Bareilly-UP)—ABS Resins and Plastics—2,000 tonnes—(NA)

M/s Andhra Pradesh State Agro Industries Corpn. Ltd; 10-2-3, A.C. Guards, Hyderabad—(Hyderabad-Andhra Pradesh) Malathion (Technical)—600 tonnes—(NU).

M/s Gujarat State Fertilizers Co Ltd; P.O. Fertilizernagar, Distt: Vadodare—(Gujarat)—Plastic Grade Nylon Chips—4,000 tonnes—(SE).

Dye-Stuffs

M/s Vijay Kumar Kanoria; 503, Abhoy Steel House, 22 Baroda Street, Bombay — (Kolaba-Maharashtra) — Diethyl Aniline—150 tonnes; Dimethyl Aniline—150 tonnes; O-Anisidine—50 tonnes; P-Anisidine—75 tonnes; O Nitro Aniline—90 tonnes; 4-Chloro-O-Nitro Aniline—90 tonnes; O-Chloro-Aniline—65 tonnes; M-Chloro-Aniline—65 tonnes; 2.5-Dichlore Aniline-130 tonnes; P-Phenyline Diamine—65 tonnes—(NU).

Drugs & Pharmaceuticals

M/s Uni-UCB Pvt Ltd; 22-Bhulabhai Desai Rd; Bombay—(Bombay-Maharashtra)—(A). Quimotrase Injections (Opthalmic Preparation) 2mg./Vial—50,000 nos; 5mg /Vial—2 00,000 nos; 50mg./Vial—2,00,000 nos; (B). Quimotrase Injections (Opthalmic Preparation) 2mg./Vial—1,00,000 nos; 10mg./Vial—10,00,000 nos; 50mg./Vial—10,00,000 nos;—(NA).

M/s Sarabhai Chemicals Ltd; Wadi, P.B. 31, Baroda—(Baroda-Gujarat)—Epicillin—5 tonnes—(NA).

M/s Unichem Laboratories Ltd; Prabhat Estate, S.V. Road, Jogeshwari (W), Bombay—(Ghaziabad, UP)—Tablets/Capsules of Ethambutol HCL—75 lakh nos; Tablets/Capsules of Doxycycline HCL—15 mill. nos; Tablets of Prenylamine Lactate—20 lakh nos; Tablets of Frusamide—20 lakh nos; Tablets of Erythromycin—80 lakh nos; Injections of Erythromycin Ethyl Succinate—20 lakh ampules; Suspension of Erythromycin Estolates—10 lakh bottles of 10 ml—(NA).

M/s Ranbaxy Laboratories Limited; Okhla, New Delhi—(Mohali-Punjab)—Phenobarbitone (Bulk Drug)—20 tonnes. Formulations:- (i) Spasmol Tablets. (ii) Phenobarbitone Tablets: 15 mg. 30 mg. 60 mg—(NA)

Textiles

M/s Delhi Cloth & General Mills Co Ltd; (Unit Shriram Rayon), Akash Deep, Barakhamba Road, New Delhi—(Kota-Rajasthan)—Rayon Chafer Fabric—300 tonnes; Rayon Tyre Dipped Fabric—360 tonnes—(SE)

Food Processing Industries

M/s Mohan Meakin Breweries Ltd; Mohan Nagar, Ghaziabad—(Ghaziabad(UP)—Canned Fruit Juices, Nectars, Canned Vegetables, etc. 3,000 tonnes—(NA)

M/s Bihar State Industrial Development Corporation Ltd;

Bandar Bagicha, Patna—(Bhagalpur-Bihar)- Starch -5,000 tonnes; Glucose—2,250 tonnes; Gluten—750 tonnes; Maize Oil—300 tonnes; Steep Liquor (50% conc.)—2,000 tonnes; Oilcake—400 tonnes; Husk—1,200 tonnes—(NU)

Vegetable Oils & Vanaspati

M/s Sanjeeven Sahakari Kraya Vikraya Samiti Ltd; Fatehnagar, Udaipur—(Udaipur, Rajasthan)—Vegetable Oils (By Expeller Process)—15,000 tonnes in terms of Oilseeds—(NU).

Cement & Gypsum Products

M/s Andhra Pradesh Industrial Development Corpn Ltd, B-1-174, Fateh Maidan Road, Hyderabad—(Karimnagar-Andhra Pradesh)—Portland Cement—4 lakh tonnes—(NU)

M/s UP Asbestos Ltd; 29-Ring Road, Lajpat Nagar, IV, New Delhi—(Lucknow-UP)—Asbestos Cement Pressure Pipes—36,000 tonnes—(NA)

M/s Bihar State Industrial Development Corpn. Ltd; Bandar Bagicha, Patna—(Bihar)—Asbestos Cement Products- 30,000 tonnes—(NU).

The Chairman & Mg. Dir., Tamilnadu Industrial Development Corpn. Ltd; Third Floor, L.L.A Building, 150-A, Anna Salai, Madras—(Ramanathapuram—Tamilnadu)—Asbestos Cement Sheets—36,000 tonnes -(NU)

Change in the Names of Owners or Undertakings

(Information pertains to particular licences only)

From M/s Meameco Limited to M/s Jardine Henderson Limited, 4-Clive Row, Calcutta-1.

From M/s Poddar Projects Limited, 31-Dalhousie Square (S), Calcutta to M/s Hope Paper Mills Limited.

From M/s K.G. Khosla & Co (P) Limited to M/s K.G. Khosla Compressors (P) Limited.

From M/s Machine Tools Corpn of India Ltd, Ajmer to M/s Hindustan Machine Tools Ltd; Bangalore.

From Burmah Shell Oil Storage & Distributing Company of India Ltd, Bombay to M/s Bharat Refineries Ltd; New Delhi.

From M/s Jaya Hind Sciaky Pvt Ltd to M/s Jaya Hind Sciaky Limited.

From M/s Greaves Diesels Limited to M/s Greaves Lombardini Limited.

From M/s K.G. Khosla & Co Pvt Ltd to M/s Khosla Compressors Private Limited.

From M/s Trackparts of India Pvt Ltd, Kanpur to M/s Trackparts of India Limited, Kanpur.

From M/s Burmahshell Oil Storage & Distributing Company of India Ltd to M/s Bharat Refineries Ltd, New Delhi.

From M/s Machine Tool Corpn of India Ltd; Ajmer to M/s Hindustan Machine Tools Limited, Bangalore.

Licences Revoked, Surrendered, Lapsed or Cancelled

(Information pertains to particular licences only)

M/s Dulichand Omraolall, Culcutta—Vanaspati. (Revoked)

Mr Harsh Kumar Agrawal, New Delhi—Vanaspati. (Revoked)

M/s The Bombay Soap Factory, Bombay—Vanaspati. (Revoked)

M/s M.P. Oilseeds Industries, C/o Shri Maneklal Purushottamdass Patel, Ahmedabad-14—Vanaspati. (Revoked)

Mr D.N. Das, C/o Assam Vegetable Products, Gauhati-1—Vanaspati. (Revoked)

Mr N Srinivasan, Alwarpet, Madras—Vanaspati. (Revoked)

Mr Daleep Keshavrao Gupta, Nandurbar Oil & Vanaspati Industries, Bombay—Vanaspati. (Revoked)

M/s Adarsh Vanaspati Ghee Utpadak, Patna—Vanaspati. (Revoked)

M/s Puri Hydrogenated Products, Jullunder City—Vanaspati. (Revoked)

Mr B.L. Jaju, 1-A, Debendra Lal Khan Road, Calcutta—Vanaspati. (Revoked)

Mr Shreelal Aggarwal, Calcutta—Vanaspati. (Revoked)

Mr M L. Jaju, Dispur, Gauhati—Vanaspati. (Revoked)

M/s Ciba Geigy of India Ltd, 14, Jamshedji Tata Road, Bombay—Rutin (Cancelled)

M/s Khandelwal Laboratories Pvt Ltd; Bombay—Theophylline, etc (Cancelled)

M/s Indian Strips & Steel Ltd; Kanpur—Cold Rolled Closed Annealed Box Strappings, Colled Rolled Light Harrow Strips, etc. (Revoked)

M/s Bombay Industrial & Alloy Steel Limited, Bombay—Colled Rolled & Alloy Steel Strips. (Revoked)

Mr Neeraj Nayan Kanoria, C/o North Bihar Sugar Mills Ltd; Calcutta—Pulp & Paper. (Cancelled)

Mr L.P. Goenka, Industrial Strips & Strappings Co, Calcutta—Cold Rolled Strips and Box Strappings. (Revoked)

M/s Hind Rectifiers Ltd, Mahalaxmi Chambers, Bombay—Selenium Rectifier. (Cancelled)

Mr R C. Agarwal, C/o Agsons Agencies (India) Pvt Ltd; New Delhi—Midget Electrodes (Lapsed)

M/s Anil Steel & Industries Limited, Jaipur—Various types of Wires. (Surrendered)

M/s Golden Steel Corpn (P) Ltd; Howrah—Re-rolled Products. (Cancelled)

M/s Pioneer Equipment Co Pvt Ltd; Baroda—Industrial Furnaces & Water-cooled Moulds. (Cancelled)

Mr Nand Lal Todi, Todi Mansion, Calcutta—Industrial Furnaces & Water-cooled Moulds. (Cancelled)

Mr S.N. Goenka. (Assam Fruit Juice Project), Delhi—Fruit Juice, (Cancelled)

Mrs S. Gupta, Bhopal—Writing & Printing Paper. (Revoked)

M/s Steelcrete Pvt Ltd: Bombay—Cement, (Cancelled)

Letters of Intent Rejected, Lapsed or Cancelled

(Information pertains to particular letters of intent only)

M/s Sandoz (I) Ltd; Worli, Bombay-18—Reactive Dyes.

M/s UP State Industrial Development Corpn Ltd; Kanpur—GLS Lamps & Fl Tubes—(Lapsed)

Mr N.K. Bajaj, Ghaziabad (UP)—Starch. (Lapsed)

M/s Atul Products Ltd; Atul, Bulsar—Nephthol. (Cancelled)

M/s The Miniature Bulb Industries (I) Pvt Ltd; Dehra Dun—Krypton Gas Filled Bulbs, for Miners' Cap Lamps. (Closed)

M/s Hyderabad Allwyn Metal Works Ltd; Hyderabad—Air Conditioners. (Lapsed)

M/s Hyderabad Allwyn Metal Works Ltd, Hyderabad—Water Coolers. (Lapsed)

M/s Koolaire Pvt Ltd; New Delhi—Sanitary Ware. (Lapsed)

Mr D.K. Khaitan, 57-Model Town, Ghaziabad—Maize Starch. (Lapsed)

Mr A.K. Agarwal, Dir, M/s Indodan Milk Products Limited, Muzaffarnagar—Dextrose Monohydrate, etc (Lapsed)

M/s Nuchem Plastics Ltd; Barakhamba Road, New Delhi—Not indicated. (Cancelled)

M/s Devidayal Electronics & Wires Limited, Bombay—Diamond Wire Drawing Dies. (Cancelled)

Mr P.K. Abraham, C/o Regional Office. FACT Ltd; No 1, Auxiliam College Rd; Gandhinagar, Vellore-6—Textile Spindles & Bilster Inserts. (Lapsed)

M/s International Tractors Co of India Ltd; Bombay—Cormic International Tractors. (Closed)

M/s Rajasthan Containers Ltd; New Delhi—Brake Assemblies. (Cancelled)

Mr S.V. Balasubramanian, Coimbatore—Writing & Printing Paper. (Surrendered)

M/s Munjal Steel, Ludhiana—C.R. Medium & Low Carbon Steel Strips. (Cancelled)

M/s Bharat Aluminium Co Ltd; New Delhi—Caustic Soda. (Cancelled)

Mr A.D. Jain, Delhi—Domestic Sewing Machines. (Cancelled)

Mr Baijnath Bhatter, Calcutta-7—Not indicated. (Cancelled)

Mr D.P. Kappal, 604, Rohit House, New Delhi—Not indicated (Cancelled)

Mr O.N. Chopra, New Delhi-48—Not indicated. (Cancelled)

Mr Satya Narain Bhartia, New Delhi—Not indicated (Cancelled)

Mr Mayanak Kumar Poddar, Calcutta-16—Not indicated. (Cancelled)

Mr S.S. Bhartia, 2-Palam Marg, New Delhi—Not indicated. (Cancelled)

M/s Agarwal Brothers, Bombay—Not indicated. (Cancelled)

Mr Sushil Kumar Agarwal, C/o M/s Agarwal Automobile, Sagar—Maize Products. (Lapsed)

M/s Bharat Bijlee Ltd; Bombay—Transformers. (Lapsed)

Mr R. Sundaraman, Madras—Power Transformers. (Lapsed)

M/s R. Bhatia & Co, C/o M/s Brilex Chemicals, Amritsar—Maize Products. (Lapsed)

Mr N.K. Jain, Muzaffarnagar—Maize Products. (Lapsed)

Mr Ashok Jain, Delhi—Maize Products. (Lapsed)

Mr Sudhir Gupta, Kota—Maize Products. (Lapsed)

Mr Diraj Nandan Patodia, Calcutta—Not indicated. (Lapsed)

M/s Mohindra & Mohindra, Limited, Bombay—Glass Reinforced Plastic Products—(Cancelled)

Mr Satish Kumar, C/o Shri Mitter Pal Agarwal, Karnal—Maize Products—(Lapsed)

M/s Worah Springs Ltd; Jabalpur. (Madhya Pradesh)—Metallic Industrial Springs— (Cancelled)

Mr M.P. Khemka, Calcutta—Not Indicated—(Cancelled)

Mr Ajit Herwadkar, Belgaum—Not indicated—(Cancelled)

Mr Bishwanath Pasari, Delhi—Not indicated—(Lapsed)

Mr H.P. Bhatnagar, New Delhi—Midget Electrodes—(Lapsed)

M/s K.S. Associates, Calcutta—Rock Roller Bits—(Cancelled)

Mr Kamlesh Kumar Rathi, New Delhi—Not indicated—(Lapsed)

Mr B.P. Kanodia, Calcutta—Not indicated—(Lapsed)

Mr R.K. Somani, Kanpur—Not indicated—(Lapsed)

M/s R.K. Agencies Ltd; Calcutta—Not indicated—(Lapsed)

Mr Sunil Kumar Daga, Calcutta—Not indicated—(Lapsed)

Mr Prabhat Chandra Pande, C/o Pande & Company Bhubneswar-6—Not indicated—(Lapsed)

Mr Laxminivas Jhunjhunwala, Calcutta—Not indicated—(Lapsed)

M/s Jayant Oil Mills (P) Ltd; Hyderabad—Castor Oil & other bye products—(Lapsed)

Mr Jagan Nath Vaju, Lajpat Nagar-IV, New Delhi—Not indicated—(Lapsed)

M/s Indequip Dayco Ltd; Naroda, Ahmedabad—Synthetic Rubber Cots & Aprons, etc—(Lapsed)

M/s Poddar Electronics Ltd; Calcutta—Midget Electrodes—(Lapsed)

M/s S.L.M. Maneklal Industries Ltd; Ahmedabad—Castings—(Cancelled)

M/s Drupa Agencies, Calcutta—Not indicated—(Lapsed)

M/s S.B.B.P. Kajaria, Calcutta—Not indicated—(Lapsed)

M/s C.R. Patel& R.R. Patel, Baroda—Not indicated—(Lapsed)

M/s Star Paper Mills Ltd; Calcutta—Not indicated—(Lapsed)

Mr Narendra Kumar, Calcutta—Not indicated—(Lapsed)

Mr R.P. Baya, New Delhi—Not indicated—(Lapsed)

Mr Munish Kumar, M/s Girdhar Paper Pvt. Ltd; Meerut—Not indicated—(Lapsed)

M/s Geep Flashlight Industries Ltd; New Delhi—Auto Lamps—(Surrendered)

M/s Elsons Cotton Mills Pvt. Ltd; Ballabgarh, Haryana—300 looms of indigenous make—(Cancelled)

M/s C.Z. Instruments India Pvt. Ltd; Bombay—Microscopes & Accessories etc—(Cancelled)

Mr Surinder Kumar, New Delhi—Electrically operated Adding & Calculating Machines, etc—(Cancelled)

Mr Ram Prakash U. Bubna, C/o Nav Bharat Machine & Engg. Co., Bombay—Not indicated—(Lapsed)

Mr L. Khaitan, Calcutta—Midget Electrodes—(Lapsed)

M/s Kaira Can Co. Ltd; New Delhi—Metal Battery Jackets—(Cancelled)

RECORDS AND STATISTICS

World Bank Atlas

The tenth edition of the World Bank Atlas contains estimates of population, Gross National Product (GNP) and per capita product of most countries for the year 1973. Growth rates for population and per capita product are shown for the periods 1960-73 and 1965-73.

A total of 188 countries and territories are listed in this Atlas. As of December 31, 1975, 127 countries were members of the Bank. Principal governments that have so far not participated in the Bank are those of seven countries in Eastern Europe, including the USSR, and the People's Republic of China.

EUROPE

Population (mid-1973), GNP at Market Prices (1973), GNP Per Capita (1973), and Average Annual Growth Rates (1960-73 and 1965-73)

GNP at market prices rounded to US$ tens of millions. GNP per capita rounded to nearest US$10.

			GNP at market prices		Growth rate (%)			
					Population		GNP per capita	
No.	Country	Population (000)	Amount (US$ (millions)	Per capita (US$)	1960-73	1965-73	1960-73	1965-73
1	USSR[1]	249,750	506,490	2,030	1.1	1.0	3.6	3.5
2	Germany, Fed. Rep. of	61,970	329,670	5,320	0.9	0.6	3.7	4.0
3	United Kingdom	56,000	171,380	3,060	0.5	0.4	2.4	2.3
4	Italy	54,890	134,520	2,450	0.7	0.7	4.3	4.2
5	France	52,160	236,610	4,550	1.0	0.8	4.7	5.0
6	Turkey	37,930	22,600	600	2.5	2.4	3.9	4.4
7	Spain	34,740	59,360	1,710	1.1	1.1	5.8	5.3
8	Poland[1]	33,360	69,860	2,090	0.9	0.8	3.9	4.2
9	Yugoslavia	20,956	21,160	1,010	1.0	0.9	4.3	4.5
10	Romania	20,830	n.a.*	n.a.*	1.0	1.2	n.a.*	n.a.*
11	German Dem. Rep.[1]	16,980	50,850	3,000	−0.1	0.0	3.2	2.9
12	Czechoslovakia[1]	14,572	41,820	2,870	0.5	0.3	2.4	2.6
13	Netherlands	13,430	58,180	4,330	1.2	1.1	4.1	4.3
14	Hungary[1]	10,430	19,320	1,850	0.3	0.3	3.2	2.7
15	Belgium	9,760	44,470	4,560	0.5	0.3	4.3	4.6
16	Portugal	8,994	12,690	1,410	0.0	−0.1	7.4	8.0
17	Greece	8,930	16,720	1,870	0.5	0.5	7.3	7.6
18	Bulgaria[1]	8,622	13,710	1,590	0.7	0.6	4.7	3.6
19	Sweden	8,140	48,070	5,910	0.7	0.7	3.0	2.4
20	Austria	7,530	26,460	3,510	0.5	0.5	4.4	5.1
21	Switzerland	6,430	39,220	6,100	1.3	1.2	3.0	3.0
22	Denmark	5,020	26,140	5,210	0.7	0.7	3.9	3.8
23	Finland	4,660	16,760	3,600	0.3	0.2	4.5	5.2
24	Norway	3,960	18,460	4,660	0.8	0.8	4.0	3.8
25	Ireland	3,030	6,520	2,150	0.5	0.7	3.6	3.9
26	Albania[1]	2,295	1,060	460	2.8	2.7	4.4	5.1
27	Cyprus	635	930	1,460	0.9	0.8	6.1	6.8
28	Luxembourg	350	1,730	4,940	0.8	0.6	2.6	3.1
29	Malta	320	340	1,060	-0.1	0.2	5.9	7.0
30	Iceland	210	1,060	5,030	1.4	1.0	3.4	2.6
31	Channel Islands[1]	132	320	2,400	1.4	1.7	2.0	1.0
32	Isle of Man[1]	58	100	1,690	1.6	1.9	0.3	−1.6
33	Greenland[1]	51	140	2,780	3.6	3.1	2.3	1.6
34	Faeroe Islands[1]	40	150	3,840	1.0	0.9	4.8	3.6
35	Gibraltar[1]	28	40	1,580	1.3	1.6	1.8	3.8

[1]. Estimates of GNP per capita and its growth rate are tentative.

*The calculation of these figures was under discussion when the Atlas went to press; based on information supplied by the Romanian Government, and using a currency conversion rate of 20 lie to the US$, the per capita GNP would amount to $890 for 1973, and the preliminary estimate for 1974 would be $910. These figures are, however, not comparable with those for other countries, as presented here.

ASIA

Population (mid-1973), GNP at Market Prices (1973), GNP Per Capita (1973), and Average Annual Growth Rates (1960-73 and 1965-73)

GNP at market prices rounded to US$ tens of millions. GNP per capita rounded to nearest US$10.

No.	Country	Population (000)	GNP at market prices		Growth rate (%)			
			Amount (US$ millions)	Per capita (US$)	Population		GNP per capita	
					1960-73	1965-73	1960-73	1965-73
1	China, People's Rep. of[1]	811,350	216,750	270	1.7	1.7	3.8	4.6
2	India	581,911	71,590	120	2.3	2.3	1.3	1.5
3	Japan	108,350	393,000	3,630	1.1	1.2	9.4	9.6
4	Bangladesh	74,000	5,910	80	2.6	2.4	−0.2	−1.6
5	Pakistan	66,230	7,740	120	2.9	2.9	3.4	2.5
6	Philippines	40,219	11,170	280	3.0	3.0	2.3	2.6
7	Thailand	39,400	10,600	270	3.1	3.0	4.8	4.5
8	Korea, Rep. of	32,905	13,250	400	2.2	1.9	7.1	8.7
9	Iran	32,136	27,830	870	3.2	3.2	6.4	7.4
10	Burma	29,509	2,360	80	2.2	2.2	0.7	0.7
11	Viet-Nam, Dem Rep. of[1]	23,220	2,600	110	2.8	2.5	0.3	−0.5
12	South Viet-Nam	19,870	3,200	160	2.6	2.6	0.6	−0.7
13	Afghanistan	16,634	1,420	90	2.2	2.2	0.3	0.9
14	China, Rep. of	15,424	10,250	660	3.0	2.8	6.9	7.3
15	Korea, Dem. Rep. of[1]	15,040	5,160	340	2.8	2.8	4.6	2.7
16	Sri Lanka	13,180	1,560	120	2.3	2.1	2.0	2.0
17	Nepal	12,020	1,100	90	1.9	2.1	0.4	−0.1
18	Malaysia	11,302	6,490	570	2.6	2.5	3.9	3.7
19	Iraq	10,410	8,880	850	3.2	3.3	2.9	2.9
20	Saudi Arabia	7,745	12,470	1,610	1.7	1.7	8.7	10.1
21	Cambodia[1]	7,566	550	70	2.5	2.6	−1.8	−5.2
22	Syrian Arab Rep.	6,948	2,800	400	3.3	3.3	3.8	3.6
23	Yemen Arab Rep.[1]	6,217	620	100	2.4	2.4	n.a.	n.a.
24	Hong Kong	4,160	5,950	1,430	2.3	1.9	7.0	5.8
25	Israel	3,210	9,660	3,010	3.1	2.8	5.6	6.7
26	Laos[1]	3,180	200	60	2.4	2.4	1.9	2.5
27	Lebanon	2,977	2,790	940	2.6	2.7	3.0	3.5
28	Jordan	2,540	870	340	3.3	3.4	1.3	−2.6
29	Singapore	2,185	3,990	1,830	2.1	1.8	7.1	9.4
30	Yemen, People's Dem. Rep. of[1]	1,560	170	110	3.1	2.9	n.a.	n.a.
31	Mongolia[1]	1,357	740	550	2.7	2.8	0.6	1.6
32	Bhutan[1]	1,124	70	60	2.3	2.3	−0.3	−0.2
33	Kuwait	880	10,610	12,050	9.4	8.2	−2.1	−2.9
34	Oman	720	610	840	3.0	3.1	13.5	19.4
35	United Arab Emirates	320	3,720	11,630	9.9	11.0	19.3	16.1
36	Macao[1]	260	70	270	3.7	3.4	−3.5	−4.6
37	Bahrain[2]	232	210	900	3.3	2.9	n.a.	−7.8
38	Sikkim[1]	216	20	90	2.4	2.4	−0.3	0.1
39	Qatar	180	1,090	6,040	8.5	8.9	5.1	7.9
40	Brunei[1]	145	240	1,640	4.2	3.8	1.0	3.7
41	Maldive Islands[1]	114	10	90	1.7	1.9	0.9	0.5

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1. Estimates of GNP per capita and its growth rate are tentative.
2. GNP per capita growth rate relates to 1971-73.

AFRICA

Population (mid-1973), GNP at Market Prices (1973), GNP Per Capita (1973), and Average Annual Growth Rates (1960-73 and 1965-73)

GNP at market prices rounded to US$ tens of millions. GNP per capita rounded to nearest US $10.

			GNP at market prices		Growth rates (%)			
					Population		GNP per capita	
No.	Country	Population (000)	Amount (US$ millions)	Per capita (US$)	1960-73	1965-73	1960-73	1965-73
1	Nigeria	71,262	15,050	210	2.5	2.5	3.6	8.3
2	Egypt, Arab Rep. of	35,619	8,820	250	2.5	2.5	1.5	0.8
3	Ethiopia	26,550	2,290	90	2.2	2.4	2.4	1.6
4	South Africa[1]	24,265	25,420	1,050	3.1	3.2	2.7	2.0
5	Zaire	23,438	3,200	140	2.7	2.7	2.6	2.9
6	Sudan[2]	17,051	2,260	130	2.8	2.8	0.9	-0.6
7	Morocco	15,903	5,080	320	2.4	2.4	1.6	2.5
8	Algeria	14,700	8,340	570	3.2	3.4	1.7	4.3
9	Tanzania[3]	13,974	1,830	130	2.9	2.8	2.8	2.6
10	Kenya	12,480	2,150	170	3.2	3.3	3.1	3.3
11	Uganda	10,829	1,610	150	2.8	3.0	2.1	1.2
12	Ghana	9,313	2,760	300	2.6	2.6	0.0	0.8
13	Malagasy Rep.	8,301	1,260	150	2.7	2.8	0.3	0.9
14	Mozambique[2]	8,283	3,110	380	2.0	2.1	3.3	4.1
15	Cameroon	6,206	1,530	250	2.0	2.0	3.2	4.9
16	Rhodesia	5,900	2,520	430	3.3	3.5	1.7	3.5
17	Ivory Coast	5,887	2,250	380	3.8	4.0	3.1	3.0
18	Angola	5,717	2,780	490	1.3	1.3	3.8	3.2
19	Upper Volta	5,714	410	70	2.1	2.1	0.4	-1.1
20	Tunisia[4]	5,459	2,530	460	2.1	2.1	3.4	4.9
21	Mali	5,370	370	70	2.1	2.0	1.0	0.5
22	Guinea	5,243	570	110	2.8	2.8	0.1	0.1
23	Malawi	4,833	530	110	2.6	2.6	3.5	3.7
24	Zambia	4,646	2,020	430	2.9	2.9	1.7	-0.2
25	Niger	4,357	450	100	2.7	2.7	-1.9	-4.6
26	Senegal	4,070	1,160	280	2.1	2.2	-1.8	-2.8
27	Rwanda[2]	3,980	290	70	3.4	3.0	0.3	3.2
28	Chad	3,873	320	80	1.8	2.0	-2.1	-3.3
29	Burundi[2]	3,580	270	80	2.0	2.0	1.3	1.4
30	Somalia[2]	3,042	250	80	2.4	2.5	-0.2	1.6
31	Benin, People's Rep. of[2]	2,947	330	110	2.7	2.7	1.0	1.5
32	Sierra Leone[5]	2,787	460	160	2.2	2.2	1.6	1.5
33	Libyan Arab Rep.[6]	2,160	7,620	3,530	3.7	3.7	10.5	5.7
34	Togo	2,119	380	180	2.7	2.7	4.4	2.5
35	Central African Rep.	1,710	280	160	2.2	2.2	0.4	1.0
36	Liberia	1,452	450	310	3.3	3.3	2.2	4.7
37	Mauritania	1,257	250	200	2.1	2.5	4.1	1.2
38	Congo, People's Rep. of	1,199	410	340	2.7	2.8	1.7	1.9
39	Lesotho[2]	1,165	120	100	2.2	2.2	3.8	2.6
40	Mauritius	860	360	410	2.1	1.5	0.4	1.4
41	Botswana[2]	641	150	230	1.9	1.9	4.7	6.4
42	Gabon	520	680	1,310	1.2	1.5	4.4	6.1
43	Guinea-Bissau	510	170	330	-0.5	-1.1	3.6	5.9
44	Gambia, The	493	60	130	2.2	2.2	3.7	2.2
45	Reunion[2]	470	570	1,210	2.7	2.4	4.7	4.6
46	Swaziland[2]	463	150	330	3.0	3.1	6.9	6.3
47	Equatorial Guinea[6]	313	80	260	1.9	1.4	0.4	-3.1
48	Cape Verde Islands[2]	280	90	340	2.7	2.9	5.1	6.0
49	Comoro Islands[2]	260	40	170	2.2	2.1	3.1	1.2
50	Ceuta and Melilla[2]	127	70	590	-1.4	1.5	4.7	6.7
51	French Ter. of Afars and Issas[2]	101	160	1,580	1.8	2.2	9.4	10.3
52	Sao Tome and Principe[2]	77	40	470	1.7	3.2	1.3	-0.3
53	Seychelles Islands[2]	55	20	370	2.1	2.0	1.8	0.9
54	Spanish Sahara		Data included in those of Spain					

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1. Includes data for Namibia. 2. Estimates of GNP per capita and its growth rate are tentative. 3. Mainland Tanzania. 4. GNP per capita growth rate relates to 1961-73. 5. GNP per capita growth rate relates to 1964-73. 6. GNP per capita growth rate relates to 1962-73.

NORTH AND CENTRAL AMERICA

Population (mid-1973), GNP at Market Prices (1973), GNP Per Capita (1973), and Average Annual Growth Rates (1960-73 and 1965-73)

GNP at market prices rounded to US$ tens of millions. GNP per capita rouded to nearest US$10.

			GNP at market prices		Growth rates (%)			
			Amount	Per	Population		GNP per capita	
No.	Country	Population (000)	(US$ millions)	capita (US$)	1960-73	1965-73	1960-73	1965-73
1	United States	210,400	1,304,530	6,200	1.2	1.0	3.1	2.5
2	Mexico	56,047	49,830	890	3.5	3.5	3.3	2.8
3	Canada	22,130	120,510	5,450	1.7	1.4	3.7	3.5
4	Cuba[1]	8,920	4,850	540	2.0	1.8	−1.0	−0.7
5	Guatemala	5,175	2,590	500	2.4	2.1	3.3	3.8
6	Haiti	4,454	570	130	1.7	1.6	−0.3	0.7
7	Dominican Rep.	4,432	2,310	520	2.9	2.9	2.7	5.1
8	El Salvador	3,771	1,320	350	3.5	3.4	1.9	0.8
9	Puerto Rico	2,950	6,420	2,180	1.6	1.6	5.7	5.2
10	Honduras	2,781	890	320	3.2	3.0	1.3	1.1
11	Nicaragua	1,973	1,060	540	2.6	2.5	3.3	1.6
12	Jamaica	1,967	1,950	990	1.6	1.4	3.6	4.8
13	Costa Rica	1,872	1,320	710	3.1	2.9	2.7	3.5
14	Panama	1,570	1,450	920	3.1	3.1	4.4	4.3
15	Trinidad and Tobago	1,059	1,380	1,310	1.7	0.9	2.1	2.2
16	Martinique[1]	343	460	1,330	1.5	0.8	4.8	4.8
17	Guadeloupe[1]	342	360	1,050	1.6	0.9	4.3	4.9
18	Barbados	239	240	1,000	0.2	0.3	5.5	5.8
19	Netherlands Antilles[1]	234	360	1,530	1.5	1.5	−0.4	0.7
20	Bahamas[1]	190	440	2,320	4.0	3.6	2.2	−1.1
21	Belize[1]	132	90	660	2.8	2.9	2.0	1.9
22	St. Lucia[1]	106	50	480	1.6	1.6	5.5	2.8
23	Grenada	106	40	330	1.2	0.6	3.1	3.7
24	St. Vincent[1]	90	30	300	0.9	0.9	1.4	3.2
25	Dominica[1]	74	30	360	1.6	1.6	1.3	−0.8
26	Virgin Islands (US)[1]	71	420	5,910	6.1	4.5	9.6	11.1
27	Antigua[1]	69	30	480	1.9	1.9	3.5	−0.8
28	Canal Zone[1]	67	200	2,910	3.7	2.6	0.6	1.3
29	Bermuda[1]	55	260	4,710	1.6	1.6	4.6	4.5
30	St. Kitts-Nevis Anguilla[1]	45	20	450	−1.0	−0.9	2.4	−0.1

1. Estimates of GNP per capita and its growth rate are tentative.

SOUTH AMERICA

Population (mid-1973), GNP at Market Prices (1973), GNP Per Capita (1973), and Average Annual Growth Rates (1960-73 and 1965-73)

GNP at market prices rounded to US$ tens of millions. GNP per capita rounded to nearest US$10.

			GNP at market prices		Growth rates (%)			
			Amount	Per	Population		GNP per capita	
No.	Country	Population (000)	(US$ millions)	capita (US$)	1960-73	1965-73	1960-73	1965-73
1	Brazil	101,051	76,950	760	2.9	2.9	3.6	6.0
2	Argentina	24,282	39,760	1,640	1.5	1.5	2.7	2.9
3	Colombia	22,500	9,900	440	2.9	2.8	2.4	3.1
4	Peru	14,531	9,070	620	2.9	2.9	2.1	1.8
5	Venezuela	11,279	18,340	1,630	3.4	3.3	2.0	1.3
6	Chile	10,230	7,360	720	2.2	2.0	1.7	1.4
7	Ecuador	6,786	2,560	380	3.4	3.5	1.9	2.8
8	Bolivia	5,331	1,200	230	2.6	2.6	2.5	2.2
9	Uruguay	2,995	2,850	950	1.3	1.2	−0.2	0.0
10	Paraguay	2,416	1,000	410	2.6	2.6	1.9	2.2
11	Guyana	772	320	410	2.4	2.4	1.5	1.1
12	Surinam	398	350	870	2.5	2.2	4.2	2.4
13	French Guiana[1]	52	70	1,360	3.8	3.2	3.8	7.1

1. Estimates of GNP per capita and its growth rate are tentative.

OCEANIA AND INDONESIA

Population (mid-1973), GNP at Market Prices (1973) GNP Per Capita (1973), and Average Annual Growth Rates (1960-73 and 1965-73)

GNP at market prices rounded to US$ tens of millions. GNP per capita rounded to nearest US$10.

No.	Country	Population (000)	GNP at market prices: Amount US$ millions)	GNP at market prices: Per capita (US$)	Growth rate (%): Population 1960-73	Growth rate (%): Population 1965-73	Growth rate (%): GNP per capita 1960-73	Growth rate (%): GNP per capita 1965-73
1	Indonesia	124,415	15,980	130	2.0	2.1	2.4	4.5
2	Australia	13,130	57,170	4,350	1.9	1.9	3.1	3.0
3	New Zealand	2,960	10,900	3,680	1.6	1.4	2.2	2.0
4	Papua New Guinea	2,596	1,050	410	2.4	2.5	4.6	5.0
5	Portuguese Timor[1]	640	90	130	1.8	1.7	1.1	2.1
6	Fiji[1]	551	360	650	2.6	2.2	2.9	5.3
7	British Solomon Islands[1]	179	50	280	2.7	2.8	1.3	0.7
8	Western Samoa[1]	153	40	250	2.5	2.4	0.8	1.1
9	French Polynesia[1]	130	350	2,680	3.9	4.8	7.1	0.2
10	New Caledonia[1]	126	630	5,010	3.9	4.8	5.6	7.4
11	Trust Ter. of the Pacific Islands[1]	103	50	450	2.2	2.8	3.9	3.3
12	Guam[1]	100	410	4,130	3.1	3.2	8.1	11.8
13	Tonga[1]	95	20	210	3.3	3.0	-0.7	-0.9
14	New Hebrides[1]	92	40	480	2.6	2.7	3.2	1.6
15	Gilbert and Ellice Islands[1]	58	20	360	1.7	1.7	-1.8	-2.3
16	American Samoa[1]	28	30	1,020	2.3	1.9	9.7	6.7

[1]. Estimates of GNP per capita and its growth rate are tentative.

For purposes of international comparison, Gross National Product (GNP) estimates in US dollar equivalents or some other numeraire should be calculated, ideally, on the basis of purchasing power parities or through direct real product comparisons. The World Bank and other organizations concerned with economic development problems have long recognized the deficiencies inherent in the exchange rate approach to comparative income analysis; the search for a better method has been under way for more than 30 years.

Ambitious Effort

By far the most elaborate and ambitious effort yet undertaken in this area is the UN International Comparison Project (ICP), a study begun in 1968 jointly, by the United Nations Statistical Office and the University of Pennsylvania with the support of the World Bank and a number of other international, national, and private institutions.

The ICP, which is now entering its third and final research phase, has developed a highly sophisticated method for measuring total expenditure, which can then be used to derive more reliable and directly comparable estimates of per capita income on an international scale than heretofore possible. The published ICP findings represent detailed comparisons for 10 countries, and will be extended during the next two years to cover 35 to 40 countries, including 20 to 25 developing countries.

In the interim, the World Bank continues to improve its Atlas as a source of readily available comparative GNP data. The multi-year base period first introduced in 1972 has been updated for this 1975 edition from 1965-71 to 1972-74, to reflect the price and exchange rate movements of recent years which began at the time of the realignment of major currencies with the Smithsonian Agreement of December 1971. The present Atlas method remains an exchange rate conversion, essentially on the basis of official exchange rates. In several cases, however, official rates have been adjusted to correspond more closely to realistic market rates. The multi-year base period method has been retained in an attempt to reduce the temporary distortions resulting from undervaluation or overvaluation of currencies in particular years. The current edition of the Atlas continues to give GNP figures at market prices.

Weighted Averages

For the new Atlas computations of GNP in market prices and GNP per capita in 1973, GNP in local currency units is first expressed in weighted average prices of the base period 1972-74, converted to 1972-74 US dollars at the GNP-weighted average exchange rate for the base period, and then converted to current US dollars by adjusting the US inflation as measured by the implicit US GNP deflator for 1973. The GNP estimates for 1972 and 1974 (preliminary) are calculated in the same manner through conversion to current US dollars by the US GNP deflators linking the base period 1972-74 to 1972 and 1974, respectively. Finally, the current dollar estimates for each year are divided by the corresponding mid-year population figures to derive per capita GNP.

It should be remembered that exchange rates equate, at best, the prices of internationally traded goods and services. They may bear little relationship to the prices of goods and services not entering international trade, which form the bulk of the National Product in most developing countries. Agricultural output and services, in particular, are generally priced lower in relation to industrial output in developing than in industrialized countries, and agriculture often accounts for the largest share of total product in developing countries. The currency conversion method, therefore, tends to exaggerate real income differences between less deaeloped and more developed countries. A comparison of the ICP findings with the Atlas figures (for 1970) as published in our 1972 edition helps illustrate this point (Table I).

For the petroleum-exporting countries, the 1974 GNP per capita does not fully reflect the income effect of the considerable increases in petroleum prices since late 1973. The estimates are calculated for all countries on the basis of average 1972-74 prices and exchange rates, so that the impact of the large relative export and product price changes in their favour in 1974 influences the estimates in only one of the three base years. The Table II, comparing 1973 and 1974 GNP per capita figures for the petroleum exporters, calculated at both current prices and exchange rates and on weighted average 1972-74 prices and exchange rates, illustrates this point.

Impact of Oil

The straight conversion for 1973 gives generally lower estimates for that year than the Atlas methodology, and more so when oil is a more important element of the GNP. This reflects the Atlas's use of the broader 1972-74 base which includes one year of higher oil prices The same comparison for 1974 shows the opposite, with lower Atlas numbers because of their inclusion of 1972 and 1973 oil prices in their base. The comparison of the Atlas estimates in the two years provides a picture of real (volume) growth between 1973 and 1974, whereas the straight conversion adds the gains from higher export prices to the difference between 1973 and 1974.

The estimates for the centrally planned economies (CPEs) of Eastern Europe are based on the Gross Domestic Product (GDP) per capita estimates developed by the UN Economic Commission for Europe[3] through an extensive "physical indicators" comparison for 1965.

New Relationship

In this study, dollar values for the eastern European countries were obtained by correlating 21 physical indicators with levels of per capita in 22 non-socialist countries and applying these estimating equations to the socialist countries. This set of estimates was moved to 1973 by means of GNP and population growth indices and the weighted average GNP deflator for the 22 non-socialist countries included in the original study. This approach is similar to that used in the Atlas to culculate GNP in current US dollars for other countries. The relationship between these 1973 estimates—which are somewhat similar to purchasing power parity estimates - and the 1973 GNP per capita figures developed by means of the standard Atlas methodology were then tested by linear regression analysis for the 22 non-socialist countries and found to be statistically significant at the one per cent level. The GNP one per capita estimates (Atlas methodology equivalents) for the seven CPEs were then calculated on the basis of this relationship.

It should be emphasised that in the absence of market conditions, internal cost and price relationships in the countries with centrally planned economies differ substantially from those in other countries having similar per capita GNP levels. More than usual caution must be exercised, therefore, in using and interpreting data for these countries.

Minor revisions have also been made in the current edition of the Atlas in the basic data series of both GNP and population for a number of countries. Scholars and statisticians interested in fuller and more technical explanations of the methodology used in compiling the figures for the World Bank Atlas are invited to address their queries to the Economic and Social Data Division, Economic Analysis and Projections Department, World Bank.

TABLE I

Comparison of ICP Findings and Atlas Figures

Country	1970 Product per capita (Indices, US = 100) Atlas (GNP)	ICP (GDP)*
Kenya	3.2	5.7
India	2.3	7.1
Colombia	7.1	15.9
Hungary	33.6	40.3
Italy	37.0	45.8
United Kingdom	47.7	60.3
Japan	40.3	61.5
Germany, Fed. Rep. of	61.6	74.7
France	65.1	75.0
United States	100 0	100.0

*Gross Gomestic Product

TABLE II

Comparison of GNP Per Capita, 1973 and 1974

(current US$)

Country	1973 Atlas methodology	1973 Straight conversion	1974* Atlas methodology	1974* Straight conversion
Algeria	570	540	650	770
Bahrain	900	900	2,250	2,270
Ecuador	380	370	460	500
Gabon	1,310	1,210	1,560	1,930
Indonesia	130	120	150	180
Iran	870	800	1,060	1,340
Iraq	850	640	970	1,330
Kuwait	12,050	8,170	11,640	20,700
Libya	3,530	2,910	3,360	4,990
Nigeria	210	180	240	310
Oman	840	520	1,250	1,860
Qatar	6,040	3,330	5,830	10,530
Saudi Arabia	1,610	1,040	2,080	3,090
Trinidad & Tobago	1,310	1,210	1,490	1,760
United Arab Emirates	11,630	7,500	13,500	22,060
Venezuela	1,630	1,440	1,710	2,180

*Preliminary.

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[3] United Nations Economic Commission for Europe, *Economic Survey of Europe in 1969—Part I Structural Trends and Prospects in the European Economy* (New York: 1970), pp. 139-152.

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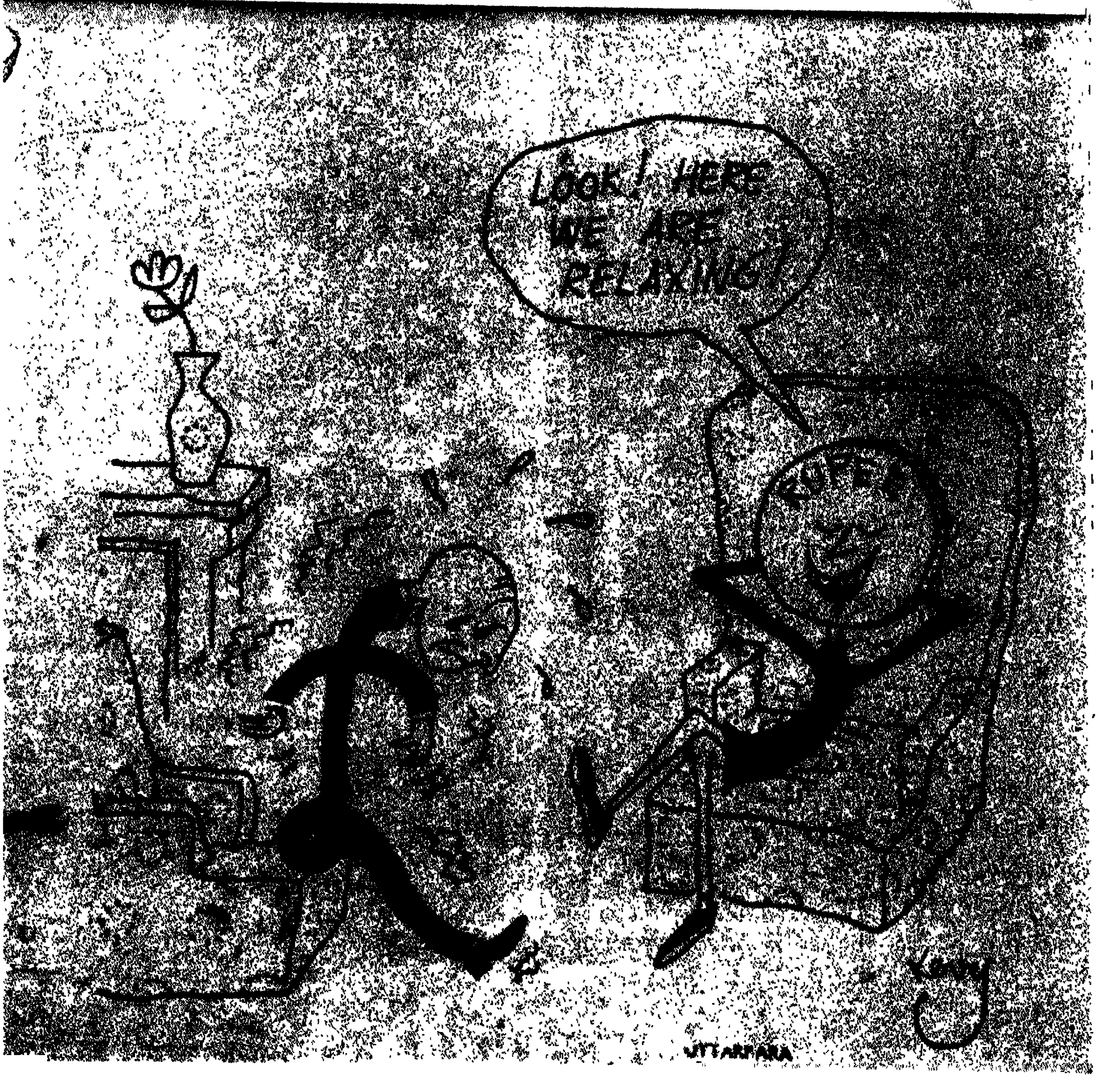
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Leading Articles

McNamara's Plea for a Global Compact 719
MMTC Prepares to Face New Challenges 720
Choice of Technology 721
No Dearth of Resources 722

Capital's Corridors 725

Point of View

Farm Size, Productivity and Returns to Scale —R.S Mishra, D.K. Marothia & B.C Bhowmick 729
Sectoral Shifts in Madhya Pradesh —Dr. R R. Singh 732

Window on the World

Proposals for a Basic Understanding —Robert S. McNamara 737
Investment Explosion in Saudi Arabia - -Courtesy: Union Bank of Switzerland 739

Trade Winds

Rupee Upvalued; Company Deposits; Trade with Morocco; Rural Electrification Corporation; India-Nauru Cooperation; Electronics in Maritime Shipping; International Coffee Council Meet; Credit Cooperative; Procurement Policy for Kharif Cereals; Shipping Agreement with Bulgaria; Exports to Hungary; Hindustan Petroleum; Fertilizers for Dry Land Farming; Fertilizer Output; Processed Food to Gulf Countries; Names in the News. 743-746

Company Affairs

Seshasayee Paper; Aluminium Industries; Herdillia Chemicals; India Steamship; Bengal Chemical; News and Notes; New Issues; Capital and Bonus Issues; Dividend .. 747-750

Records and Statistics

Revised Fifth Five-Year Plan 751

McNamara's plea for a global compact

MOVED BY the abject poverty of millions of people in Asia and Africa, Mr Robert S McNamara, President of the World Bank, has urged the rich nations of the world "to move beyond debate on peripheral issues and reach a basic understanding—a global compact—to eradicate absolute poverty" by the end of the century. He was addressing the board of governors of the World Bank Group at Manila, the Philippines, earlier this week.

According to Mr McNamara, income disparities between nations have widened in the past decade and are likely to increase further in the next decade. The poorest nations of the world having a population of 1200 millions commanded per capita income (at 1975 prices) of $130 in 1965 which rose to $150 in 1975 and is expected to move up to $180 in 1985. The middle-income developing countries with a total population of 900 millions had per capita income of $630 in 1965 which rose to $950 in 1975 and is projected to increase to $1,350 in 1985. The developed countries, on the other hand, had a total population of 700 millions with per capita income of $4,200 in 1965 which increased to $5,500 in 1975 and is likely to rise to $8,100 in 1985.

It is conceded that per capita income is not an ideal measure for assessing the level of living of a group of people but, by and large, it does convey meaning to the degree of affluence enjoyed or the extent of suffering caused to the destitutes. For example, the people in the poorest nations of the world had a standard of living, according to this indicator, which was 1/32 of that of the developed nations and this ratio would drop further to 1/45 in 1985. Mr McNamara has thus focussed the attention of the world on this problem by citing statistics in the most telling manner. What is more, he has rightly blamed the developed nations for their failure to assist the developing nations in the development task.

In 1975, the developed nations gave by way of Official Development Assistance (ODA) only 0.36 per cent of their Gross National Product (GNP) even though they had promised in the United Nations in 1970 to provide 0.7 per cent of GNP. The two countries which had a dismal record in assisting the poor of the world were the USA and Japan. Together they commanded 54 per cent of the GNP of ODA countries and were responsible for two-thirds of the shortfall in funds in ODA. Mr McNamara has estimated that the richer nations lagging behind the stipulated target of assistance could easily make up for the shortfall if they increase ODA by two per cent to three per cent of the annual increment in their GNP.

Understandably, the developing countries had to bear a heavy burden in the servicing of past debts but their distress was being accentuated by the very low level of capital flows to them. What was more, the stiff tariff and non-tariff barriers against the exports of these nations needed to be eliminated so that they could earn an additional three billion to four billion dollars annually by 1985. These nations would need to refashion their economic policies and procedures not only to stimulate exports but also to diversify them. Dependence on a limited number of agricultural commodities whose prices fluctuated violently had also hurt their schemes of economic development.

Bearing all these factors in mind, Mr McNamara has pleaded that the rich and the poor nations should reach basic understanding in regard to (a) the nature and magnitude of the problem; (b) the action required to address it; (c) the relative responsibilities of those involved; and (d) the costs and benefits to each of doing so. In other words, a global compact should make it clear as to (1) the additional trade and aid support which developed nations are to provide; and (2) the policy reforms and structural changes which developing nations should undertake so as to meet the basic human needs of the absolute poor by the end of the century.

Mr McNamara drew pointed attention to the role of the International Development Assistance (IDA)funds for providing concessional assistance to the poor countries. He said that progress in regard to the replenishment of the IDA funds had been painfully slow. Despite meetings of the deputies of Finance ministers in November 1975 and again in February and June this year, there was as yet no final agreement on the amount of the fifth replenishment. He was afraid that there was no chance that the negotiations on this issue would be completed in time to permit legislative ratification by June 1977 —the date on which IDA's commitment authority would end.

While addressing the Commonwealth Finance ministers at Hong Kong on September 30, Mr C. Subramaniam, our Finance minister, also asked the developed countries to come forward generously for the fifth replenishment of the IDA which alone could bring substantial relief to the poor countries. The rich countries, he said, should have a commitment towards the IDA irrespective of any election campaign which might be engaging their attention. The reference obviously was to the USA where the presidential election in November this year was perhaps the most hotly-debated topic.

MMTC prepares to face new challenges

At a press conference in the capital last week, Mr C. R. Das, chairman of the Minerals and Metals Trading Corporation of India Ltd (MMTC), listed the various spheres in which this state trading enterprise has proved its competence though in the year ended March 31, 1976, its turnover as well as profitability had taken the downward course. While exports rose from Rs 138.2 crores in 1974-75 to Rs 168.4 crores in the year under reference, imports dropped from Rs 607.1 crores to Rs 539.2 crores, and domestic turnover increased from Rs 1.9 crores to Rs 3.4 crores during the same period. The turnover of its subsidiary also dropped from Rs 17.0 crores in 1974-75 to Rs 14.7 crores in 1975-76.

The fall in the value of imports was caused by the declining trend in world prices, particularly of fertilizers and sulphur. Also, the volume of their imports was restricted due to the comfortable position in the domestic market. The management of the MMTC exhibited great skill in making these purchases in the sense that finished fertilizers valued at Rs 193 0 crores (volume : 0.94 million tonnes) were purchased without giving an inkling to the market intelligence sources. It showed that the corporation had learnt the art of concluding big deals in the domain of business without even causing a ripple in the price level.

Not unexpectedly gross income of the corporation fell from Rs 53.11 crores in 1974-75 to Rs 42.01 crores in 1975-76. Presumably, not only the value of imports dropped but the profit margin also was scaled down in order to make available fertilizers at cheaper prices to the farmers. The stocks with the corporation were reduced from 20.9 per cent of sales in 1974-75 to 13.8 per cent in the year under report.

However, the verification of stocks of the value of more than Rs 19 crores was not a mean job. The auditors have stated that the valuation of stocks "is fair and proper in accordance with the normally accepted accounting principles" but have also stated that "for want of adequate weighing facilities for weighing heavy consignments, congestion caused due to accumulation of stocks and on account of intermingling of consignments" they had no option but to adopt the book figures It is necessary that more attention should be given to proper assessment of stocks which should be ascertained accurately at least once a year.

The import of non-ferrous metals at Rs 188 crores in 1975-76 was almost at the same level as in 1974-75 largely due to the recession in the world market and subdued demand in the home market. However, since March 1976, revival in the economies of industrial countries has once again pushed up prices. The corporation has maintained its policy of selling copper "off-the-shelf". The most significant achievement in this sector was the sharp reduction in stocks which dropped from Rs 120 crores in 1974-75 to Rs 53 crores in 1975-76.

Important item

Iron ore continued to be the most important item on the export list of the corporation. In the year under reference the export of iron ore at 11.6 million tonnes was valued at Rs 129.5 crores out of the total export of the order of Rs 168.4 crores. There was a time when the MMTC used to make huge losses on the export of iron ore but the highly cooperative attitude of the importers has resulted in steady increase in prices cutting out the losses substantially. The unit value realisation in 1975-76 was up by 22 per cent.

But it should not blind us to the fact that during the past fifteen years, the steel prices all over the world have risen much faster than the iron ore prices. This point was particularly highlighted by Prof D.P. Chattopadhyaya, union minister of Commerce, at the annual general meeting of the MMTC last week. He said that the historical trends of pricing of iron ore could not be said to have been equitable and remunerative. A study on the relationship between the prices of iron ore and of steel prepared showed that in the five-year periods 1950-54 and 1965-69, while iron ore prices dropped from six to 12 per cent, the steel prices rose from 43 to 57 per cent.

Our country played a prominent role in the formation of the Association of Iron Ore Exporting Countries. The sole objective for bringing this association into being was to obtain an adequate price for iron ore from importers. The battle for securing stable and remunerative prices for raw materials and commodities was being fought at various international forums but with not much success. It was in this context that Prof Chattopadhyaya urged the importing countries to recognise the utility of such an association "in bringing about a better order in iron ore trade for the mutual benefit of the buyer as well as the seller".

In order to remain competitive in the world markets in so far as iron ore is concerned, the corporation will have to devote more attention to pelletisation of this ore. Mr C.R. Das, chairman of the corporation, indicated at the above-mentioned press conference that the MMTC was planning to revamp its export strategy in two respects. First, pelletisation of iron ore was becoming increasingly popular in world markets and hence the corporation was taking steps to start this process on an extensive scale in this country. Second, the available port facilities in this country were hardly adequate. The Haldia dock, the Vizag and the Madras Outer Harbours had all got delayed which would affect the corporation's ability to enhance exports. The MMTC had decided to start work on a port complex on its own so as to improve its export capability in relation to the competitors.

creditable performance

That the MMTC had continued to expand its export of iron ore despite all these hurdles was indeed creditable. The performance in the year under reference was praiseworthy because the volume as well as value of iron exports had expanded at a time when international trade in this raw material had shrunk due to the world-wide recession. The fall in iron ore exports of the competing countries ranged between five and thirty per cent.

In order to accelerate the pace of exports of minerals and metals, the MMTC, according to its chairman, Mr C.R. Das, was planning to enter into joint venture agreements which could be in the field of iron ore pelletisation plants, coal washeries, mica fabrication and the manufacture of capacitors. The government of India, Mr Das said, had already agreed in principle to the corporation's plan for export production of minerals and metals and the MMTC had made an allocation ranging between Rs 3 crores and Rs 5 crores in the current year for such joint ventures.

In the case of coal, the corporation exported a little less quantity than last year but succeeded in realising a substantially enhanced unit value. While coal exported fetched Rs 161 for every tonne in 1974-75, the corresponding figure for 1975-76 was Rs 408 per tonne — an improvement of 153 per cent. The quantity exported was only 0.44 million tonnes though the target set for the current year is 1.5 million tonnes. The bottleneck at ports, the delay in the commissioning of Haldia and the limited reserves of good quality coking coke are the major constraints inhibiting expansion in exports. The world trade in coal is currently around 100 million tonnes but our share in it may not be more than two to three million tonnes at best of times.

The Mica Trading Corporation of India Ltd (MTCI) — a subsidiary of the MMTC — suffered a decline both in terms of volume and value of exports though there was substantial increase in the unit value realisation. While the MTCI realised Rs 5.64 per kg in 1974-75, the figure rose to Rs 9.13 per kg in 1975-76. However, the volume exported fell from 33,000 tonnes to 16,121 tonnes resulting in a drop in export earnings from Rs 18.62 crores to Rs 14.72 crores. A number of factors have operated in reducing the demand for mica in the industrially developed countries but the MTCI will have to explore other markets, especially among the developing countries.

Choice of technology

WHILE INAUGURATING an advanced training programme of the Central Electronic Engineering Research Institute at Pilani, Mr K.C. Pant, union minister for Energy, advocated a cautious approach to automation and advised the adoption of appropriate technology relevant to the requirements of the country. This call for a proper evaluation of a judicious mix of highly advanced, medium and manual technology, which will bring the maximum out of manpower at all levels and resources available in the country, is indeed timely.

The planners in this country have attempted to build up a mother industry to facilitate broad-based industrialisation necessary for a large domestic market for final products. Built up during the last 25 years at a substantial cost to the country, the heavy industry today seems confident to assist, to a large extent, the proliferation of industries wherever the demand for final products arises. This is confirmed by the confidence attained by this country is setting up turn-key projects for several industries abroad. Consequently, the time is ripe to assess the techniques most suitable for various manufacturing processes in relation to the conditions prevailing in our country.

In view of the large mass of people who need to be employed usefully, an important area to be examined is the kind of technology which can stimulate rural industrialisation. It may be incorrect to believe that only low cost technology can permit a progressive improvement in the level of living of the people in the rural society. What is required is the formation of a national policy on technology, taking a wider view of the vast stock of innovative capabilities and technology already developed by individual craftsmen, educational institutions, small local firms, and institutional entrepreneurs. Such a pool of technology can be made the basis of rural industrialisation along with a proper merger of imported knowhow, wherever there are visible gaps in the technology.

It might be useful to identify local traditions, and attempt to use them as a basis for the development of new but somewhat relevant technology. The idea here is to involve those areas in progressive activity which have been left out of the development process. The local traditions with generations of experience and proficiency can be identified and adopted imaginatively to the present requirements of the community. For instance a traditional metal-worker with proper equipment and guidance is most likely to make a new experiment a success. The technical traditions carry with them the image which is an asset from the marketing angle. It may, however, be added that all the traditional talent cannot be utilised, for a part of it belongs to the dead past.

An important factor in the development of appropriate technology for rural industrialisation is that inventors and entrepreneurs should emerge from the rural community. In sharp contrast to the centralisation and coordination from above which is not always the most effective way of evolving useful technology, a dualistic policy will have to be adopted, where modern technology will not substitute the existing one but will complement it. This will benefit a large number of innovators and technicians in rural areas.

no new idea

It may be pointed out that the appropriate technology is not a new idea for this country. Mahatma Gandhi stressed the establishment of village industry complexes to train workers in improved technologies and to help them establish industry in their villages. A recent study* by the Development Centre of the OECD on appropriate technology has laid emphasis on the manner in which such technology found favour in the developing countries during the last fifty years. Mr Nicholas Jequier of the OECD has termed Mao Tse-tung and Mahatma Gandhi as "the prophets of appropriate technology in Asia." However, he also reminds us that the Gandhian idea of appropriate technology was not pursued with the vigour it deserved during the last two decades.

The mass-based technology cannot develop at the cost of the high level technology, which is essential for modernisation and has a psychological effect of bringing in a new order as against economic stagnation However, this country has already developed a fund of modern technical know-how so that any additional import has to be assessed to avoid wasteful expenditure in terms of royalty and lump-sum payments or equity participation. The import of technology has to be highly selective for various other reasons too, which include the fact that it has a low capacity to generate employment. Consequently a technical committee is proposed to be set up to evaluate the technology to be imported against the indigenous technology in the light of upgradation of technical standards, which is a welcome development. The committee to be headed by Brigadier B.J. Shahney, secretary (Technical Development) ministry of Industry, will go into the details of justification for importing a particular technology and the broad reasonableness of the terms asked for. The main effort will be to obtain technology through central sources for multiple utilisation in the country.

While this country should not seek to promote blind, immitative technology, it is significant to point out that research in science and technology should also be designed to favour indigenous problems so as to lead to indigenous solutions. In most developing countries it tends to be closely integrated into the international research system, dominated by a few advanced countries. As a result of this coordination of research, the problems taken up by the researchers tend to be related to the developed countries rather than those of the developing countries. Nicholas Jequier has estimated that the cost of a researcher is equal to the economic surplus of between 1,000 and 50,000 farmers whereas in industrialised countries a researcher consumes the surplus of 10 to 1,000 industrial workers. The research being so expensive in developing countries, it must be related to indigenous benefits rather than to international prestige.

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*'Appropriate Technology, Problems and Promises'; edited by Nicolas Jequier and published by Development Centre of the Organisation for Economic Cooperation and Development, Paris.

No dearth of resources

THANKS TO the favourable developments on the foreign exchange front in the past 18 months, the balance of payments position has assumed such good shape that it has given rise to the question whether it would be possible henceforth to reduce dependence on foreign aid and use a sizable portion out of the accumulated reserves for implementing Plan schemes. The Reserve Bank of India has in its latest annual report drawn forceful attention to these favourable developments though it has not thought it proper to take a definite view of future trends on the basis of a transient phase. It has, however, been observed that "the strengthening of the payments position in 1975-76 appears to be symptomatic of a significant change which might take place in India's balance of payments." In no year in the recent past has there been such a heavy rise in foreign balances excluding SDRs and gold coin and bullion, by as much as Rs. 881 crores as in 1975-76. What is really striking is the fact that this rise has taken place mainly on account of invisible receipts.

There was no doubt an increase in gross foreign aid by Rs 400 croses in 1975-76, but borrowing from the International Monetary Fund (IMF) was on a considerably smaller scale than in 1974-75. The oil facility of Rs 207 crores was utilised in August 1975, but there was a repayment of Rs 65 crores subsequently by repurchasing the drawing from the compensatory financing facility of the IMF. The net amount borrowed was thus only Rs 142 crores against Rs. 485 crores in 1974-75. There should have been only a small rise in aggregate foreign balances held by the Reserve Bank in the Issue and Banking Department as the trade deficit in 1975-76 was nearly the same as in the previous year, being Rs. 1155 crores against Rs 1189 crores in 1974-75. The additions to foreign balances were, however, spectacular at Rs. 881 crores as stated above,

What is even more impressive is the continuing rise in foreign balances since March this year and these stood at an all-time high of Rs 2158.12 crores on September 17, 1976. In the absence of details regarding balance of payments statistics, it is difficult to say how the improvement has been taking place and whether there are any one time remittances.

It has however been emphasised that direct remittances have been of unprecedented dimensions. Indian nationals residing abroad have also been bringing in foreign exchange for financing new enterprises and utilisng part of the foreign exchange for importing plant and machinery. To the extent the 'imported' funds have been utilised for acquiring indigenous plant and machinery, there is a net advantage accruing to the balance of payments position. However as the deputy chairman of the Planning Commission, Mr P.N. Haksar, has pointed out, there is a liability for the country where repatriable funds are held with banks in designated currencies and the resources of entrepreneurs residing abroad have not been fully utilised for promoting new ventures. The undependable portion of accretions to foreign exchange reserves cannot, in any event, be large as on the basis of the observations made in Parliament and the reports about inflow of funds for promoting new enterprises, the outstanding amount cannot be more than Rs 150 crores.

bigger rise

The increase in foreign balances between September 17,1975 and September19, 1976 is as much as Rs 1364.95 crores. The rise has been of bigger magnitude as compared to the increase of Rs. 875.22 crores recorded between March 26, 1975 and March 28, 1976. These positions are in strong contrast to the experience of 1974-75 when there was an increase of only Rs 109.87 crores even with borrowing from the IMF to the extent of Rs. 485 crores.

The trends in foreign trade since February this year have also been a helpful factor in boosting foreign exchange reserves. For six months in succession a surplus on trade account has been reported and in the first four months of 1976-77, April-July, exports of Rs. 1466 crores were in excess of imports of Rs. 1384 crores by Rs. 82 crores In the corresponding period in 1975-76 exports were only Rs. 1110 crores and imports Rs. 1,550 crores leaving a deficit of Rs. 440 crores. The reversal of foreign trade trends resulting in a net improvement of Rs 522 crores by itself should have been responsible for the big spurt in foreign balances between March 26, 1976 and September 17, 1976 by Rs 643.14 crores against only Rs. 153.41 crores in the same period in 1975-76.

net decline

If it is remembered that the oil facility of Rs. 207 crores was utilised in August last year, there was even a net decline of Rs. 54 crores. It cannot be definitely said that the higher level of foreign exchange earnings in the four months under reference this year have been fully realised. Even then there is an excess which provides the hope that invisible receipts will continue to be sizable and the balance of payments position will remain favourable so long as the checks on smuggling operation are vigorous and effective and the loopholes in foreign exchange control are successfully plugged.

Since net aid after meeting servicing obligations may not be fully utilised in the current financial year on account of the prospect of a pronounced shrinkage in trade deficit to Rs. 200/300 crores and invisible receipts will be flowing in at the present rate, it will not be unreasonable to presume that foreign balances will rise from the prevailing levels by at least another Rs 500 crores by March next year, taking the total to well over Rs 2,600 crores.

This is indeed a highly gratifying picture and the Reserve Bank can proudly claim that the balance of payments position has been in surplus for two years in succession. The high level of reserves has naturally induced the authorities to think of using a good fraction for liberalising imports and for even financing Plan schemes. It has also been examined how foreign obligations can be minimised though there is rightly a view that fixed interest bearing obligations cannot be liquidated in advance of schedule repayment dates.

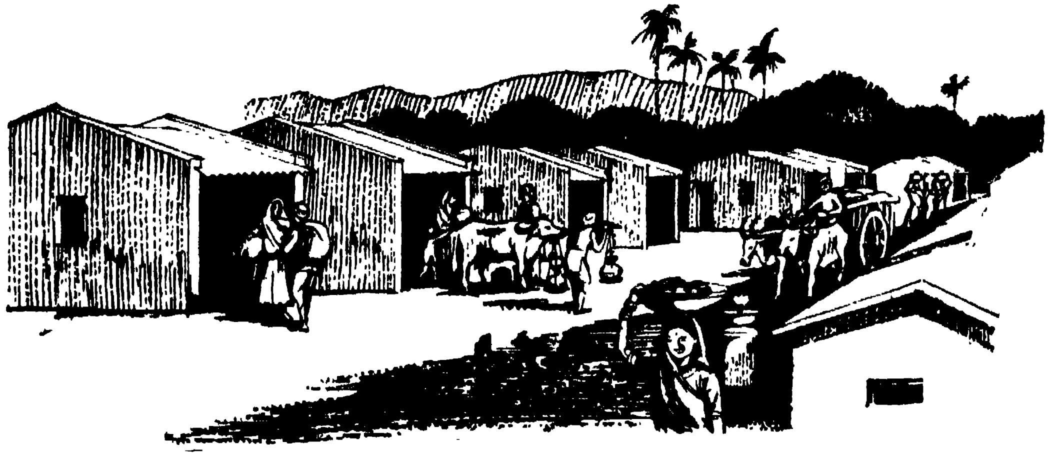
A committee headed by Mr. M. G. Kaul, is examining the scope for investing foreign balances more profitably and preventing also losses on account of vide fluctuations in external parities of important currencies. While the recommendations of this committee and views on the disposition of foreign balances are awaited, it is now agreed that a good portion can be used for long-term financing.

In view of the likelihood of foreign balances rising to over Rs. 2600 crores in the next few months and in view also of the improved trends in foreign trade, base reserves excluding SDRs and gold coin and bullion need not be more than Rs. 1500 crores. This would mean that about Rs. 1100 crores and odd can be segregated for Plan purposes. And, can it be assumed that another Rs. 1000 crores will be available in 1977-79? While a definite view in this regrard can be taken only by the middle of next year there will be no harm in proceeding on the basis that about Rs. 1,100 crores will be available for Plan and other purposes and something more in 1977-79.

seizing the opportunity

The Plannning Commission need not therefore take an extremely cautious view of the availability of resources in rupees and foreign exchange. It is true that the availability of foreign exchange by itself will not result in the creation of rupee resources, but there can be matching deficit financing in the absence of inadequate rupee funds. Also, in the context of the pronounced growth of bank deposits and the assets of Life Insurance Corporation and provident funds and opportunity for intensifying the small savings campaign, the bottleneck in respect of rupee resources too may not be formidable. Only the government machinery should be equal to the task of handling much larger funds and hastening the tempo of implementation of Plan schemes. With the prospect of bumper food and cash crops being again harvested in the current agricultural season and increasing industrial production, the opportunity for incurring a higher level of meaningful Plan expenditure should not be missed.

As one village died, a new one was born.



Last year, in Orissa, the entire village of Tanupur was wiped out by raging floods.
This year, it was re-created.
Designed, financed and built by us on a 10-hectare site donated by the Orissa Government, today Tanupur is a glowing new haven for all those Harijan families who lost their homes—and hopes—in the floods.

To help and rehabilitate the weaker sections of society—a vital feature of the 24-point programme—has been with us a long tradition. Dedicated to aid the needy after flood, drought and cyclone. Not just with money, time and effort. But with empathy.

Deep inside, we're really a soft-hearted steel company.

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TIS.146(A)

CAPITAL'S CORRIDORS

R. C. Ummat

Resources for fifth Plan • Restructuring of public sector banks • SBI's new thrust

THE PLANNING Commission has placed additional mobilisation of resource for the current five-year Plan during the next two years at Rs 1,601 crores This does not include Rs 600 crores resort to deficit financing and borrowings from the Reserve Bank to the tune of another Rs 600 crores against utilisation of foreign exchange reserves during these two years The availability of external assistance assumed during the next two years is of the order of Rs 2,400 crores

During the first three years of the Plan, resources to the tune of Rs 1,300 crores have been mobilised—which is nearly double the draft plan figure of Rs 6,858 crores for the entire five-year period of the fifth Plan.

The central government is envisaged to mobilise during 1977-78 and 1978-79 resources to the tune of Rs 900 crores. The state governments will be required to raise Rs 701 crores.

financing the programmes

A sum of Rs 16,907 crores is expected to be available for financing the Plan programmes during the next two years from the following sources (the figures in brackets indicate the contribution of these sources during the first three years of the Plan): (1) balances from current revenues at 1973-74 rates of taxation Rs 1,563 crores (Rs 3,338 crores); (2) gross surpluses from public sector enterprises at 1973-74 fares, freights and tariffs Rs 225 crores (Rs 624 crores); (3) market borrowings Rs 2,849 crores (Rs 3,030 crores); (4) small saving Rs 930 crores (Rs 1,092 crores); (5) state provident funds Rs 937 crores (Rs 1,050 crores); (6) term loans from financial institutions (net) Rs 288 crores (Rs 340 crores); and (7) miscellaneous capital receipts Rs 1,112 crores (- -Rs 556 crores). Deficit financing during the first three years of the Plan period is estimated to be of the order of Rs 754 crores. Thus, the total deficit financing during the five years to 1978-79 would be Rs 1,354 crores as against Rs 1,000 crores envisaged in the draft Plan.

reliance on indirect tax

It has been stipulated that the union government will have to place some reliance during the next two years on indirect taxes. But it has been suggested that taxation of mass consumption items should be avoided as far as possible. The additional indirect taxation effort, it has been recommended, should be selective for curbing conspicuous consumption, promoting economic use of scarce resources and mopping up of windfall profits in certain lines of activity.

A clear picture on indirect taxation, however, it has been pointed out, would emerge only after the report of the high-level committee on the subject, appointed recently under the chairmanship of Mr L.K. Jha, is available.

It has also been suggested that some rationalisation of the pricing policies of public sector enterprises would be necessary in order to bring prices in better alignment with costs. This rationalisation of the pricing policies of the public sector enterprises as well as selective taxation of commodities, it is recognised, would, indeed, involve some sectional rise in prices. But given overall monetary restraint, the general price level in the country, it is felt, might not be affected adversely to a very significant extent.

In the case of states, the Planning Commission feels that there is need well as scope for raising further resourc from the agricultural sector. It has bee stressed that whereas large investmen have been made in the past in the develop ment of agriculture, there has not bee commensurate increase in the contributio of agriculturists to the financing of thes programmes. The land revenue has con tinued to be very low, the average rat being just Rs 6 per acre. Besides, thi system lacks progression in incidence.

mobilisation of savings

Mobilisation of savings from the rura areas by financial institutions, it is fel also has been far from adequate. In vie of the increase in agricultural productio and the incomes and guaranteed suppor prices for a majority of agricultural products, it would be only reasonable to cal upon the agricultural sector, particularl the affluent sections of the rural community, to make a larger contributio towards financing of developmental efforts It has, therefore, been suggested that further measures should be taken to rais additional resources through agricultura taxation

The Plan document stresses the nee for revision of irragation rates and electricity tariffs. The state governments, it is pointed out, are incurring heavy losses on irrigation works. In 1975-76, the loss on commercial irrigation is estimated at Rs 235 crores In certain states, receipts from irrigation, it has been emphasised, are not sufficient even for meeting the working expenses, let alone interest payments and depreciation. According to the Commission, this acts as another subsidy to farmers who already benefit from subsidised irrigation rates and the benefit goes primarily to the more affluent farmers. The Commission thinks it imperative that "suitable measures for reducing progressively the losses on irrigation works and ultimately eliminating these altogether" should be adopted.

As regards the return from state electricity boards, the Commission has found that in 1975-76, 15 boards incurred losses estimated at a total of Rs 130 crores. In spite of further revision of rates, 12 state electricity boards are expected to incur a total loss of Rs 106 crores during the rrent year. The Commission opines at it is necessary to adopt proper mea- res including revision of electricity tariffs r reducing these losses and get a reason- le return on investments. Similar views ve been expressed on various state ansport corporations to raise additional sources.

So far as deficit financing is concerned, is felt that recourse to this source to the tent of Rs 300 crores per annum would ot generate any additional inflationary essures, especially when with a sizeable uffer stock of foodgrains and comfortable oreign exchange situation, the govern- ent is now in a much better position to aintain conditions of price stability. The merging economic situation, it has been ressed, however, will have to be continu- usly watched in order to take prompt orrective action when necessary.

Referring to the foreign exchange reser- es position, the Plan document observes: "The foreign exchange position is quite omfortable and reserves have increased ubstantially. It would, therefore, be esirable to draw down these reserves by bout Rs 600 crores in the next two years n order to raise additional resources for he plan." Borrowings are envisaged to his extent from the Reserve Bank. dditional imports through the utilisation f these reserves are to be carefully plan- ed so as to help in increasing investment apacities in the core sectors of the conomy and stabilising prices of essential ommodities.

Commercial credits from banks and nternal resources of the public financial nstitutions for investment in fixed assets lo not form resources for the Plan. They re considered outside the Plan

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The Banking Commission, set up in July this year under the chairmanship of Mr Manubhai Shah, has invited public views on the restructuring of the 22 public sector banks in the context of the larger responsibilities devolving on them in implementation of the various socio-economic policies and programmes of the government.

The commission has issued a questionaire which is broadly divided into two parts. The first part of the questionnaire is addressed to the citizens, public workers, experts, academicians, economists, agriculturists, small artisans, professionals, industrial and business circles, cooperative credit bodies and self-employed persons to elicit their advice in micro and macro planning of the banking organisation. The second set of questions is meant for the experts in banking and management. Others too, however, can send their views on the issue included in this set of questions.

The general questionnaire invites public opinion on the questions of regrouping of banks, mobilisation of savings, advances, inspection and public relations, banking education and motivation of staff.

three alternatives

The commission has asked whether the present 22 public sector banks should continue with minimal structural changes or restructured. Three alternatives have been suggested for the regrouping of the existing banks. The first is that the seven subsidiary banks of the State Bank of India should be merged into it and a national bank be set up by merging all the 14 nationalised banks into one corporation. The second suggestion is that only such of the subsidiaries of the State Bank of India which are weak should be merged with the State Bank, leaving the rest to be merged in the national bank along with the 14 nationalised banks. As a third alternative, it has been suggested that the subsidiaries of the State Bank should be merged separately with the zonal banks, instead of with the State Bank. The commission has elicited views on the three alternatives.

To ensure effective supervision and to meet local aspirations, the commission has sought opinions about the optimum size of a bank with reference to the number of branches, the total number of personnel, area of operation and the prospective opening of new branches in the next 10 to 15 years.

It has also been asked in the first part of the questionnaire whether it is advisable to transfer the ownership of the State Bank of India with all its subsidiaries wholly to the central government by paying compensation to the minority shareholders wherever they exist.

The commission has further asked whether the public sector banks should be merged into a single corporation like the Life Insurance Corporation or divided into four subsidiary corporations with an apex body on the lines of the General Insurance Corporation and its four subsidiaries.

Views have also been sought on the delegation of functions and powers amongst the managing directors, the general managers, regional managers and the branch managers in the new set-up of the banking industry.

Regarding mobilisation of savings, opinions have been sought on the steps that should be taken to stimulate savings particularly in the under-banked states and areas and to safeguard the deposits in private sector banks and non-financial institutions. It has further been asked whether the numerous deposit mobilisation schemes by different banks should be rationalised.

The questionnaire also seeks opinions as to how the unorganised sector, and more particularly the weaker sections of the community, can take advantage of each item in the programme.

important question

Another important question raised is: what manner of coordination can be suggested so that the overlapping of different agencies like the public sector, private sector, cooperative, land development and regional rural banks, operating with their different credit schemes can be minimised?

According to the questionnaire the union government has successfully brought down the price level by a proper credit policy and credit control. It has, however, been pointed out that certain segments of economy have complaints about the inadequacy of bank credit. The commission desires to know some such legitimate hardship cases and the measures to meet such complaints. The commission has as well sought advice on the simplification and rationalisation of banking procedures and forms.

The questionnaire also refers to several identified segments of economy which have great promise and potential for growth. At present, it has been pointed out, all these sectors are served in a general way by the commercial banks. There are suggestions that banks should pay special attention to some of these sectors like tourism, housing and construction, exports, etc., and functional banks should be constituted which would specialise in such fields and help these sectors. The commission has asked public opinion on the establishment of such functional banks.

Another question asked is: would it be advisable to create a central inspectorate of banking under the Reserve Bank of India so that the existing inspection by the RBI can be carried out through such an inspectorate with the district inspectors supervising and improving public relations by periodically examining the relations of bank branches in each district? Suggestions have been invited on the question of opening more branches in the rural and under-banked areas.

historical background

Among the other points on which views have been elicited are included: (i) steps that should be taken to inculcate banking habits in the country to mobilise small savings and to provide credit facilities to small and poor people; (ii) whether banking should be made a subject at the higher secondary school stage; and (iii) whether with a view to having professionalised, efficient and expert banking services, it is necessary to set up an academy of banking to which all the institutions of banking management and development could be affiliated. Advice has also been sought on the steps to be taken for the motivation of banking staff to put in better and more efficient service and to inculcate deeper involvement in the banking industry.

The second set of questions elicits information from the banks on the history of their growth. Information has been sought mainly on branch expansion, growth of deposits and advances, investments, credit-deposit ratios, progress of the lead bank scheme and involvement of banks in the process of rural development. Information on the performance of banks under the 20-point economic programme has also been elicited.

The banks have also been asked to furnish information on their coordination with state governments, organisation and management problems, personnel policy, planning, industrial relations and staff welfare and foreign operations. The other points included in this set of questions relate to redressal of public grievances and spread of banking habit in the country, profitability and working results of banks.

* *

The State Bank of India has planned a major "thrust" in 1977 for implementing the development programmes in the priority areas, mainly agriculture, in accordance with the 20-point economic programme of the government. Disclosing this at a press conference here last week, the chairman of the bank, Mr T.R. Varadachary, announced that the bank's programme was linked to the programmes of official and non-official development-oriented agencies and a very close coordination was being maintained with these agencies. It had been decided that the State Bank should provide all banking facilities in the villages adopted by the habitat movement in Punjab, Haryana and Uttar Pradesh.

It was proposed to increase the advances of the bank by Rs 150 crores in 1977 in respect of the various activities covered under the 20-point programme. Up to the end of June last, Rs 75 crores had been spent on these activities During the year to June 30, 1976, the number of landless labourers financed by the bank had crossed 29,000, as against just 550 at the end of June 1975. Initiative had also been taken in financing the construction of new houses and the completion of partly constructed houses as also the economic activities of the allottees of house-sites.

The bank, Mr Varadachary said, had also financed up to June 30, 1976, over 34,000 harijans for pursuing gainful vocations such as pig-rearing, carpentary and smithy. In the field of integrated rural development, the bank had plans to double its incremental agricultural loaning from Rs 80 crores in 1976 to Rs 160 crores in 1977. Special attention was being paid to the construction of at least one demonstration gobar gas plant in each of the villages adopted by the bank for agricultural financing, which numbered over 20,000. Already about 4,000 gobar gas plants had been financed.

Another important activity proposed to be taken up, Mr Varadachary said, wa that the construction of warehouses in th backward areas adopted by the bank s that distress sales by agriculturists of thei produce could be obviated. These warehouses could either be built by the banl itself or financed by it if offers for buildin them were forthcoming from privat persons or other agencies.

In keeping with the top priority bein accorded to exports, the State Bank Mr Varadachary further stated, wa opening very shortly overseas branches a Delhi, Bombay, Calcutta and Madras These branches, which would have trad information and export counselling wings would mainly handle exports on deferre payment basis, construction contracts an turn-key projects. The purpose of settin up these branches was to provide all th necessary banking facilities to exporter at one place, instead of at dispersed point at present. The bank's strategy for 197 in the export field also included openin of foreign offices in important financi centres of the world.

customer service

Service to customers, Mr Varadachar added, was also being improved vig rously. Greater awareness was bein inculcated among the staff of customer needs. The teller system, which covere approximately 800 branches at presen was proposed to be extended to anoth 200 branches by the end of this year an still another 500 branches by the end of th next year. The teller facilities were als being geared to handling larger disburs ments per cheque—up to Rs 200 Mechanisation was also being stepped for improving service to customers. present, 20 branches were mechanise This number would go upto 40 by the e of next year. Customer service commi tees too were being set up and innov tions were being made in disburseme of credit.

Credit plans, Mr Varadachary disclose had been prepared for all the district primarily in the backward areas, whi had come to the share of the State Ba under the lead bank scheme. The sta governments were being prevailed up to strengthen the infrastructure faciliti in these areas so that these credit pla could be implemented expeditiously.

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Farm size, productivity and returns to scale

R.S. Mishra, D.K. Marothia & B.C. Bhowmick

What are the factors which tend to increase productivity in agriculture? In this article, the authors have analysed, on the basis of a stratified multi-stage random sample, the behaviour of jute and paddy crops in the Kamrup district of Assam when the size of the farms, human labour and fixed as well as operating expenses are varied.

THE MAIN problem of agricultural development in a region is how to increase per hectare yield. The differences in the production efficiency may arise due to differences in the factor endowments and in the techniques of application of the resource inputs. Further, the productivity of the various inputs and returns to scale might also differ with the farm size, but empirical verifications of this hypothesis are not very frequently available. The present article is, therefore, an attempt to measure the productivity of various input factors and also to examine returns to scale on different farm sizes for jute and autumn paddy in Kamrup district of Assam. A knowledge of productivities of various resources will serve as an important guide to prescribe the directions of the adjustment in the resource use to gear up agricultural production.

Stratified multi-stage random sample was used in this study. For the purpose of the present investigation, six villages from three sub-divisions, viz. Barpeta, Nalbari and Gauhati of Kamrup district were selected. A total of 54 farmers from three farm size groups viz., small (up to 2.5 hectares), medium (2.5 to 7.00 hectares), and large (above 7.00 hectares) were selected in the ratio of 18 : 18 : 18. Jute and paddy were chosen for the economic analysis based on the importance of the crops in the district The data related to the kharif season of 1973-74 and were collected by the survey method.

Cobb-Douglas production functions have been fitted for jute and paddy crops separately to work out the elasticities of production of inputs which in turn have been used to calculate their (inputs) marginal value products (at their geomatric means) for the different farm size groups. The possibility of increasing production by making adjustments in the present use resources has been examined on the criterion whether the farmers use their resources efficiently. In order to test the resource use efficiency of the farmers marginal-value-products of individual inputs were compared with their respective prices A significant difference between the two would indicate that the farmers were using on the average their resources inefficiently. If the difference between the two was not significant, this would imply that the farmers were efficient, on the average, in the use of their resources. The test, however, did not indicate anything about the efficiency of individual farmers. The test was also adopted by other research workers (1,2).

POINT OF VIEW

Cobb-Douglas production function (least squares method) was fitted to work out the elasticities of production of factor inputs. The choice of the function was based on its theoretical fitness to agriculture and its computational manageability. The specification of the function was as follows:

$$\log Y = \log a + b_1 \log X_1 + b_2 \log X_2 + b_3 \log X_3 + b_4 \log X_4 + b_5 \log X_5$$

where,

Y = value of output (Rs)
X_1 = land (in hectares)
X_2 = human labour (Rs)
X_3 = bullock labour (Rs)
X_4 = fixed expenses (Rs)
X_5 = operating expenses (Rs)
a = constant, b_1 to b_5 = elasticity coefficients of respective inputs.

The definition and the measurement o the above variables for individual holdings were as follows:

Output (Y): The output was defined as the sum of the gross value of output (main product plus byproducts) of the jute and paddy crops estimated at harvest price of the products in rupees.

Land (X_1): Land input was measured in terms of hectares. It included the total cultivated area under crops.

Human labour (X_2): Human labour was measured in terms of rupees. It consisted of the wages of labour, both family and hired, used in different agricultural operations for the cultivation of the crops.

Bullock labour (X_3): Bullock labour was defined in terms of rupees. It included the cost of bullock labour, both family and hired, used in different agricultural operations for the cultivation of crops.

Fixed expenses (X_4): It included the depreciation costs, land revenue, rents and taxes, rented value of owned land and interest on fixed capital.

Operating expenses (X_5): This variable included cost of manures, fertilizers, seeds, pesticides, insecticides, repairing, transporting, hiring of machinery, electricity charges, fuel and lubricating oil and interest on working capital.

Three different runs of the regression analysis with aggregation and inclusion of independent variables were attempted to eliminate statistically not significant variables from final equations. The best function was selected on the basis of the criteria mentioned below: (1) high value of R^2, (2) the significance status of the individual regression coefficient, (3) the merit of the function to explain economic realities.

In the third run variable X_2 (human labour), X_3 (bullock labour) and X_5 (operating expenses) were combined into a single independent variable and this new variable was numbered as X_6. Thus the production function with three independent variables viz., X_1 (land), X_4 (fixed expenses) and X_6 (operating expenses consisting of $X_2+X_3+X_5$) under each farm size group for both jute and paddy were estimated.

The elasticities of production and related production function statistics for the entire sample farms and different farm sizes are presented in Table I.

The values of R^2 of the equations for different farm size groups in case of both (jute and paddy) crops were quite high. The variables appearing in the equations explained quite a high proportion of variations in the farm crop income. However, the lowest value of R^2 (59 per cent) was also observed in the case of paddy crop on small farm size. The elasticities of production (regression coefficient) of each input in different size groups and in all samples in the case of jute were found to be less than unity. In the case of paddy also, except input X_1 (land) in all sample farms and medium size group and X_4 (fixed expenses) in medium size group, the regression coefficients of rest of the inputs were less than one. Thus the magnitude of the individual coefficients indicated the diminishing returns to each input while increasing only one input and holding other input constant But if input X_1 (land) in the case of paddy on all farm samples and medium size group could be increased by one per cent keeping other inputs constant the gross income would increase by 1.1406 and 2.0588 per cent, showing increasing returns with respect to this particular variable respectively. The land coefficient in large size group was not significant but those of all farms sample, small and medium groups were significant in case of jute crop. The coefficients of land of small and all farms sample were significantly different at a probability level of five per cent in jute crop. In the case of paddy crop, the land coefficients for small and large size groups were statistically non-significant but those for all farms sample and medium size group were significant.

The coefficient of fixed expenses in all farms sample and different size group, except in small size group, was negative and non-significant for jute crop. In the case of paddy, the coefficients of fixed expenses in all farms sample and different size groups were also negative; the value of coefficient was negative as well as statistically significant. Thus one per cent increase in this input for these two size groups of farms in the case of paddy, the gross income would fall by 0.68 and 1.28 per cent respectively.

The value of the coefficient of operating expenses of jute was insignificant in small size group but in other size groups, the coefficient was highly significant. In the case of paddy the coefficient of operating expenses was positive but statistically insignificant on small and medium size groups; however in the case of all farms

TABLE I

Production Elasticities and Related Production Function Statistics for the Sample Farms

Crops/Size-groups	Constant (a)	Elasticities of production (coefficients)			Sum of elasticity coefficients	Standard error of estimate	No. of observation (N)	Coefficient of multiple determinants (R^2)
		Land (X_1)	Fixed expenses (X_4)	Operating expenses ($X_6=X_2+X_3+X_5$)				
Jute crop								
1. **Small farms**	1311.8390	0.5461** (0.2372)	0.1021 (0.1363)	0.1661 (0.1896)	0.8143	0.0484	18	0.9312
2. **Medium farms**	2714.9904	0.8509* (0.4134)	—0.6132 (0 3743)	0.7149*** (0.2423)	0.9526	0.0582	18	0.7876
3. **Large farms**	4180.9554	0.5508 (0.3803)	—0.4339 (0.4492)	0.7671*** (0.4271)	0.8840	0.0830	18	0.8773
4. **All farms**	2304.5028	0.4566** (0.1689)	- 0.0114 (0.1213)	0.5037*** (0.1157)	0.9489	0.2561	54	0.9895
Paddy crop								
1. Small farms	2027.8282	0.6295 (0.5842)	—0.5713 (0.5562)	0.5225 (0.4048)	0.5807	0.4141	18	0.5900
2. Medium farms	5867.0099	2 0588** (0.7323)	—1.2751* (0.7248)	0.0173 (0.2973)	0.7910	0.2082	18	0.7566
3. Large farms	4104.3597	-0.2306 (1.1010)	—0.8928 (0.8158)	1.9640** (0.7075)	0.8405	0.2720	18	0.9099
4. All farms	4445.1399	1 1406** (0.3946)	- 0 6761* (0.3847)	0.4489* (0.2254)	0.9133	1.2068	54	0.9517

*Significant at 10 per cent level of probability.

**Significant at 5 per cent level of probability.

***Significant at 1 per cent level of probability.

Note: Figures in brackets denote the standard errors of regression coefficients.

sample and large size group the coefficient was significant and revealed the greatest effect in percentage increase in gross income.

Thus it would appear that in order to increase the gross income in different size groups of farms in jute, the all farms sample, medium and large farms groups should increase the use of operating expenses and small size group should increase the area (land) and reduce the amount of fixed expenses. In the case of paddy, the all farms sample, small and medium size groups should increase the land and the large size group should increase the use of operating expenses and reduce the area under the crop.

The returns to scale imply the behaviour of the change of total returns when all the inputs are changed simultaneously in the same proportion and is indicated by the sum of individual elasticities of various factors included in a Cobb-Douglas function. The sums of the elasticity for Cobb-Douglas function were noted to be 0.9489 and 0.9133 in the case of jute and paddy respectively. The sums of exponents in different size group as well as in all farms sample were smaller than unity for both jute and paddy crops. The t-test was used to determine the nature of returns to scale. It was observed that the sum of elasticities from unity was found statistically insignificant in all farms sample and different size groups. This indicated constant returns to scale in various size groups of farms in the case of jute and paddy crops. These findings corroborated the results obtained in some other investigations ($_{3,4,5,6}$).

The marginal value product (MVP) and its ratio to factor price for individual inputs have also been presented in Table II. The marginal value products of individual input were calculated at the geometric means. It is observed from Table II that in the case of jute, the marginal value productivity of land was very high and the ratio of marginal value product to its factor cost for land in different size group and the all farms sample was more than unity. So, there was further scope for extension of area under jute crop. For paddy, in the case of large size group the marginal value productivity of the input land was negative because of the negative coefficient of the factor. The ratio of marginal value product to its factor cost was also negative (—0.85). Thus in large size group farmers were using excess of land and in order to get positive marginal value products the use of this input should be reduced so that production of the crop could be carried in the second stage of production function. In the rest of the size groups the marginal value productivity of land was very high and indicated possibilities of further increase of the input.

Except for the small size group, the marginal value productivity and its ratio to factor cost of fixed expenses in different size groups for jute crop were found to be negative. In the case of paddy the marginal value product of fixed expenses at its ratio to factor cost in all farms sample and in different size groups were also negative. The negative marginal value productivity indicated possibilities of reduction of this input so that production of the crop could be carried in the second stage of production function and the marginal productivity of input would become positive.

The marginal value productivity of operating expenses revealed decreasing returns as the size of farm increased. Positive marginal value productivity indicated possibilities of further increasing the input. Hence there was scope for expanding profit through additional expenditure on operating expenses in large and medium size groups of farms in the case of jute crop Similarly, in the case of paddy, marginal value productivity and the ratio of marginal value products to its factor cost were positive and quite high in all size groups except in medium size group where the value of these were observed lower. Thus, in the case of paddy there was also scope for increasing the profit through additional expenditure on operating expenses in small, large and all farms sample.

The above findings suggested that the production efficiency to the different resource categories differed within and between the groups of farms. Similar

TABLE II

Marginal Value Product of Inputs and its Ratio to Factor Cost for Sample Farms

Crop/ Size group	Geometric Mean				Marginal value products (MVPs)			Ratio of MVPs to factor cost		
	Output (Y)	Land (x_1)	Fixed expenses (x_4)	Operating expenses ($x_6=x_2+x_3+x_5$	Land (x_1)	Fixed expenses (x_4)	Operating expenses ($x_6=x_2+x_3+x_5$)	Land (x_1)	Fixed expenses (x_4)	Operating expenses ($x_6=x_2+x_3+x_5$)
Jute Crop										
1. Small farms	1513.00	0.77	421.19	949.44	1063.35	0.36	0.26	2.48	0.12	0.05
2. Medium farms	3821.77	2.10	1049.64	2445.81	1545.17	—2.23	1.11	3.61	0.74	0.22
3. Large farms	6692.27	3.90	1883.98	4336.35	943.87	—1.54	1.18	2.21	—0.51	0.21
4. All farms	3382.40	1.85	940.87	2159.42	832.50	—0.04	0.78	1.95	—0.01	0.16
Paddy Corp										
1. Small farms	2090.08	1.25	667.80	847.75	1048.07	—1.78	1.25	2.45	—0.60	0.26
2. Medium farms	4184.68	2.70	1347.54	1757.55	3186.43	—3.95	0.04	7.45	—1.32	0.01
3. Large farms	9308.03	5.87	2834.76	3938.84	—365.53	—2.93	4.64	—0.85	—0.98	0.93
4. All farms	4334.04	2.71	1366.37	1803.76	1823.17	—2.14	1.07	4.26	—0.71	0.22

observation were also made elsewhere[1,7,8].

In general, the following broad conclusions emerged from this study.

1. All input factors have the nature of diminishing returns in different size groups of farms.

2. Different size groups of farms had constant returns to scale relationship for both jute and paddy.

The higher marginal value productivities of land suggested economic opportunities for increased use of land in jute and paddy under different size groups of farms except in large size group of farms in paddy.

4. Farmers in the locality used excess amount of fixed expenses. In order to increase the gross income from both the crops, the use of fixed expenses should be reduced by different size groups of farms.

5. For increasing gross income in different size groups of farms in jute the all farms sample, medium and large size groups should increase the use of operating expenses. In the case of paddy the use of operating expenses should be increased by the large size farms.

Thus the present study indicated the probable directions in which resources needed to be applied for raising productivity and farm income which would ultimately help in raising the standard of living of the farmers.

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Sectoral shifts in Madhya Pradesh

Dr R. R. Singh

On the basis of available data for 1961 and 1971, the author has attempted to measure the shift of labour force from one sector to the other in the state of Madhya Pradesh. He has shown that while the contribution of the primary sector declined from 61 per cent to 53 per cent in the period under review, the drop in labour force employed was only one per cent implying a fall in productivity in this sector.

WITH A population of 41.7 million and an area of 442,841 sq km, Madhya Pradesh is not only the largest in size but also a sparsely populated state. The density of population per sq km is 94 as against 75 in Rajasthan and as against an all-India average of 178. It accounts for 13.5 per cent of area and 7.6 per cent of population of India.

The main purpose of this article is to establish historical trends in the movement of state domestic product at current and constant prices and the shifts of labour force from sector to sector, and simultaneously to ascertain as to how far the broadening of employment in the non-agricultural sectors absorbs the fresh increases in the labour force and migration from agriculture. How far do the inter-sectoral productivity differentials broadly indicate the levels of economic development attained in the various regions, and how far do they suggest from the viewpoint of the state, the vast potentialities to be realised from a more rational organisation and mechanisation of agriculture as well as from additional capital investment in other sectors for raising their output ?

The data made available by the previous decennial censuses of Madhya Pradesh and the statistics of net domestic product, made available by the state bureau call for possible adjustments for purposes of comparison at different points of time because the structure of the society everywhere changes with the passage of time. The definitions and methods adopted in the compilation of statistics also undergo modifications. Hence comparison over an extended period in the same state tends to have limitations. The adjusted statistics, if correlated with the fresh comparable data now made available, can provide a basis for proper direction of human resources among different spheres of economic activity on the basis of their relative productivity in these spheres.

Most popularly accepted symbol of economic prosperity is the continuing shift of human resources from agriculture to other sectors. This focuses the need for a much higher productivity per head in agriculture so that the investible surpluses to be generated in this sector may easily be made available to other capital intensive sectors of the state economy. Thus the agricultural sector should become a nucleus for providing impetus to other sectors.

In Madhya Pradesh, the female non-workers form the highest percentage at 39 and male non-workers account for a little less than a quarter; both remain mostly unproductive. About one-fifth of male non-workers and one-third female non-workers live in rural areas. The corresponding percentages in urban areas are insignificant.

Among the male-working population, the highest percentage at 78 is recorded in the agriculture sector; the rest are employed in the remaining sectors in varying proportions. The entire female working population which stands at nine per cent is predominantly engaged in agriculture

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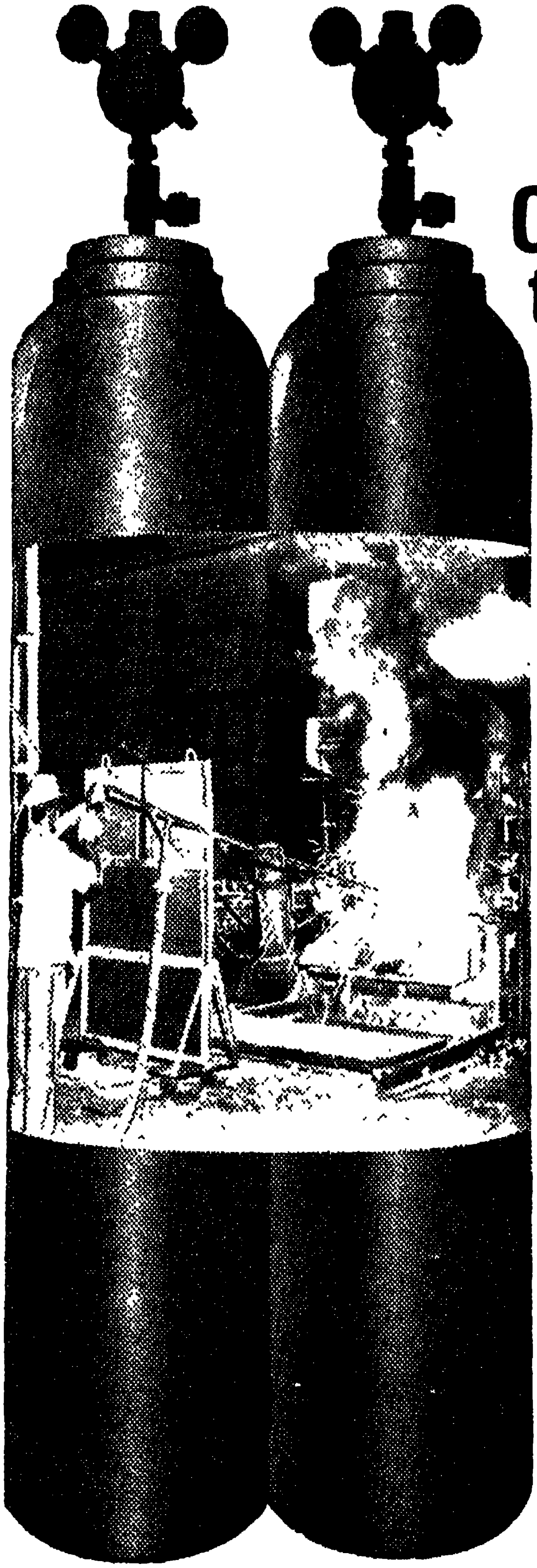

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accounting for nine-tenths of its total. The parallel percentages in other sectors are obviously marginal. Among working population in rural areas, the highest proportion both of male and female workers, at 89 per cent and 95 per cent of their respective totals are registered again in agriculture. In urban areas, the percentage of female workers in this sector works out to be 27 of its total.

It is the mining and manufacturing sector, in urban areas that offers the largest volume of employment to male and female workers respectively at 32 per cent and 28 per cent of their totals. Similarly in transport sector in urban areas, about 28 per cent of employment is provided to male workers. The service sector offers employment mainly in urban areas both to male and female workers at 27 and 28 per cent of their respective totals.

Thus it is in rural areas that agriculture provides employment to a very large body of workers whereas in urban areas 'services' and 'manufacturing' sectors are the main sources of employment for working population.

The availability and comparability of

TABLE I

Sectoral Distribution of Workers and Non-workers by Sex and Area in Madhya Pradesh—1971

	Overall		Rural		Urban	
	Male	Female	Male	Female	Male	Female
Agriculture :						
Workers (000)	9000	3406	8791	3345	209	61
Percentage	78	90	89	95	13	27
Mining & Manufactnring :						
Workers (000)	1043	198	502	135	541	62
Percentage	9	5	5	4	32	28
Transport & Communication :						
Workers (000)	659	37	193	17	466	20
Percentage	6	1	2	0	28	8
Other Services :						
Workers (000)	827	126	366	41	461	85
Percentage	7	4	4	1	27	37
Total Workers in (000)	11529	3767	9852	3538	1677	229
Percentage to Population	28	9	24	8	4	1
Total Non-Workers (000)	9926	16432	7971	13508	1955	2924
Percentage to Population	24	39	19	32	5	7

The table is based on statistics given in General Population Tables, Madhya Pradesh : Census of India 1971.

TABLE II

Estimates of Domestic Product of Madhya Pradesh at Constant Prices 1960-61 to 1973-74

	1960-61	61-62	62-63	63-64	64-65	65-66	66-67	67-68	68-69	69-70	70-71	71-72	72-73	73-74
Agriculture														
Rs crores.	512	485	464	508	539	383	373	558	490	520	568	594	538	529
Percentage Distribution	62	59	57	58	58	49	47	55	52	52	53	53	50	49
Index Numbers	100	95	91	99	105	75	73	109	96	102	111	116	105	103
Mining & Manufacturing														
Rs crores	140	151	152	168	181	187	199	212	215	224	236	243	255	264
Percentage Distribution.	17	18	19	19	19	24	25	21	23	22	22	22	24	24
Index Numbers	100	108	109	120	129	134	142	151	154	160	169	174	181	188
Transport & Communication														
Rs crores	98	100	103	110	114	107	109	127	128	135	141	149	148	145
Percentage Distribution	12	12	13	12	12	14	14	13	14	13	13	13	14	13
Index Numbers	100	102	105	112	116	109	111	130	131	138	144	152	151	148
Othere Services														
Rs crores	82	87	92	97	103	107	112	113	116	122	125	130	134	144
Percentage Distribution	10	11	11	11	11	14	14	11	12	12	12	12	13	13
Index Numbers	100	106	112	118	126	130	137	138	141	149	152	159	163	176
Domestic Product														
at F.C. (Rs Crores)	832	824	811	883	936	785	793	1011	949	1001	1070	1117	1074	1082
Index Numbers	100	99	98	106	113	94	95	122	144	120	129	134	129	130
Per Capita (Rs)	260	251	241	256	265	216	213	265	242	249	260	265	248	244

1. Estimates of State Domestic Product of Madhya Pradesh, Directorate of Economics & Statistics, Madhya Pradesh, 1975.
2. Mining has been detached from agriculture and added to manufacturing to fall in line with the classification used.

the state income and working force statistics limit the scope of this study. Tremendous difficulties have to be faced in making use of the data on working force; since the available data are not comparable between two points of time, 1961 and 1971, because of the conceptual differences in worker's definition. The data on working force made available in the 1961 census tend to overstate and those of 1971 understate in relation to one another because of the differences in defining a worker. Housewives and students were included in the category of workers in 1961 even though their participation was marginal. They were, however, excluded from the category of workers in 1971 because they were part-timers and held subsidiary work as well. Moreover, the reference period which extended up to fifteen days preceding the day of enumeration in 1961 was reduced to one week in 1971 in case of regular work in trade, profession, service or business. For seasonal work, an individual was classified as a worker if he had put in regularly *at least half normal day's work* during the major part of the last working season. In 1961 if the person had some regular work of more than one hour a day throughout the greater part of the working season, he was to be treated as a worker.

In view of the foregoing observations, it is obvious that the data for 1971 which are more or less equal in all states to those of 1961 without taking into consideration the addition to work-force brought about by the natural growth of population and by the intersectoral migration attributable to productivity differentials, are obviously not comparable without their being rationally adjusted

TABLE III

Estimates of Domestic Product of Madhya Pradesh at Current Prices, 1961-62 to 1973-74

	1960-61	61-62	62-63	63-64	64-65	65-66	66-67	67-68	68-69	69-70	70-71	71-72	72-73	73-74
Agriculture														
Rs crores	512	524	508	635	755	688	702	1127	983	1130	1209	1335	1477	1919
Percentage Distribution	62	60	57	60	61	58	56	64	59	60	60	60	60	62
Index Numbers	100	102	99	124	147	134	137	220	192	221	236	261	288	375
Mining & Manufacturing														
Rs crores	140	156	163	181	204	218	245	272	295	322	352	381	417	479
Percentage Distribution	17	18	18	17	17	18	19	16	18	17	17	17	17	16
Index Number	100	111	116	129	146	156	175	194	211	230	251	272	298	342
Transport & Communication														
Rs crores	98	107	114	130	146	143	164	194	202	226	236	269	309	370
Percentage Distribution	12	12	13	12	12	12	13	11	12	12	12	12	13	12
Index Numbers	100	109	116	133	149	146	167	198	206	231	241	274	315	378
Other Services														
Rs crores	82	93	103	111	126	134	148	169	183	204	218	241	271	313
Percentage Distribution	10	11	12	10	10	11	12	10	11	11	11	11	11	10
Index Numbers	100	113	126	135	153	163	180	206	223	249	266	296	330	382
Domestic Product														
at F.C. (Rs crores)	832	879	888	1058	1230	1184	1260	1761	1663	1881	2014	2225	2474	3081
Index Numbers	100	106	107	127	148	142	151	212	200	226	242	268	298	370
Net per capita	260	268	264	306	347	326	338	461	425	469	490	528	573	696

1. Estimates of State Domestic Product of Madhya Pradesh, Directorate of Economics & Statistics, Madhya Pradesh, 1975.
2. Mining has been detached from agriculture and added to manufacturing to fall in line with the classification used.

he formula developed for the state of Madhya Pradesh works out as follows :

(in thousands)

the actual strength of working force as recorded in 1971 =15296
he actual strength of working force as recorded in 1961 =16774
stimated strength of working force with additions due o natural growth of population at 28.67 per cent during he decade 1961-71 in Madhya Pradesh 1971 =21465
stimated productivity per worker in 1971 reduced to he comparative level of 1961
$$= \frac{15296}{21465} \text{ or 71 per cent}$$

Thus the estimates of working force ccording to the revised industrial classification for the bench mark year 1960-61 nd those for 1971 as thrown up by the 971 census, though conceptually not comparable yet with possible adjustment as arried out above, have been used in this tudy. There is no other source from which data on working force year-wise nd sector-wise for all states may be available for a comparative study

During the period 1961-74, the net omestic product in the state as a whole vas running an erratic course, registering n increase of about 30 per cent at constant prices whereas at current prices, the ncrease in the index was phenomenal. imilarly per capita income has recorded gain slightly less than three times but t constant prices not only this gain was ompletely wiped out but a marginal oss, in per capita income, was quite perceptible by 1974.

The distribution of the net domestic product, at constant prices, amongst various sectors during the period proved beyond doubt that the agricultural sector, contributing the highest percentage at 62 o net donestic product of the state, yielded somewhat to the mining and manufacturing sector by 1974 though its percentage contribution to net domestic product was still the highest. The agricultural sector had considerably receded. At current prices, there was no loss and the percentage contribution remained the same as in the base year.

It is the mining and manufacturing sector which started contributing nearly a quarter to the net domestic product by 1974 at constant prices. Rapid strides made by this sector were further corroborated by progressive inceeases in index numbers. This sector clearly recorded a healthy trend.

The 'service sector' too made considerable headway and was the second largest contributor to net domestic product at constant prices. This could further be reinforced by progressive increases in the index numbers. The share of transport sector in the net domestic product of the state was marginal as shown by the percentage contribution.

Table IV is important inasmuch as it distributes the net domestic product and the work force employed into four sectors. This makes is possible to calculate productivity per worker for sectoral comparison and thereby to direct human and material resources from sectors where productivity is low to those where it is comparatively high. It further gives indication where fresh investment should or should not be made.

The major contributor to the net domestic product of the state is agriculture. For 82 per cent of labour force employed in agriculture in 1960-61, its contribution is only 61 per cent Even this position has not been maintained during the period. Its contribution considerably declined and got reduced from 61 per cent in 1961 to 53 per cent in 1971 for a slight decrease of one per cent in labour force employed. Even productivity per worker experienced a perceptible fall from 371 to 321. The importance of agriculture in the economy of the state, therefore, is being gradually overshadowed by other sectors.

The other major sector in the state has been 'mining and manufacturing.' Though its contribution to the economy of the state is not sizeable, yet it gradually acquired momentum and by 1971 it had to be reckoned with as the second biggest contributor after agriculture. For eight per cent of labour employed, it contributed 17 per cent to the state domestic product in 1961 and 22 per cent in 197' without any percentage increase in labour force employed. Productivity per worker also rose by about 30 per cent. This recorded a considerable gain over other sectors.

The transport sector receded somewhat from its 1961 position. The contribution and productivity per worker both fell considerably between 1961 and 1971. The service sector showed signs of improvement inasmuch as its contribution to net domestic product of the state considerably rose for the same amount of labour force employed in 1961 and 1971. The productivity per worker also went up by about 20 per cent.

TABLE IV

Trends in Productivity Differentials by Sectors (At constant prices)

	1960-61				1970-71			
	Agriculture	Manufacturing	Transport	Service	Agriculture	Manufacturing	Transport	Service
Net Domestic Product (Rs in Lakhs)	51120	14000	9820	8180	56820	23610	14090	12520
Working Force (in thousands)	137930	13558	5565	10685	124060	12410	6960	9530
Productivity per worker (in Rs)	371	1033	1765	766	458	1902	2026	1314
Comparative estimate at 71%				(71/100)	321	1330	1418	920
Percentage Distribution of Net Domestic Product	61	17	12	10	53	22	13	12
Perercentage Distribution of Working Force	82	8	4	6	81	8	5	6

Figures of working force as revised by the CSO to ensure correspondence between census industrial classification and national product industrial classification have been used.

Proposals for a basic understanding

Robert S. McNamara

The President of the World Bank, Robert S. McNamara, spelt out the plight of the poor countries while addressing the board of governors of the Bank at Manila on October 4. He said that the per capita income of one billion human beings in the poor countries rose marginally from $130 in 1965 to $150 in 1975. During the same period, the per capita income of the developed nations rose from $4,200 in 1965 to $5,500 in 1975. In the next decade, while the per capita income of the poor nations is expected to rise by only $30, the corresponding increase in the case of the developed countries is likely to be around $2,600. Thus the gap between the standard of living of the rich and the poor countries will widen significantly. In this article which formed the concluding part of his address, Mr McNamara has asked the developed countries to broaden their response to the critical capital needs of the developing countries.

WINDOW ON THE WORLD

IF WE look about the world today realistically, it is evident that the desire for a greater degree of equity—for a more just and reasonable equality of opportunity among individuals, both within nations and between nations—is becoming a major concern of our time.

It is a trend that has been gathering momentum for a century or more. The rise of the labour union movement, the drive against racial discrimination, the expansion of civil rights, the enhancement of the status of women—these and similar movements have all had an ingredient in common: the surge towards greater social justice and more equitable economic opportunity.

This broad thrust is growing more insistent today in all nations. It is searching for new solutions to the intolerable problems of poverty.

The per capita incomes of the more than one billion human beings in the poorest countries have nearly stagnated over the past decade. In statistical terms they have risen only about two dollars a year: from $130 in 1965, to $150 in 1975.

But what is beyond the power of any set of statistics to illustrate is the inhuman degradation the vast majority of these individuals are condemned to because of poverty.

Malnutrition saps their energy, stunts their bodies, and shortens their lives Illiteracy darkens their minds, and forecloses their futures. Simple, preventable diseases maim and kill their children. Squalour and ugliness pollute and poison their surroundings.

The miraculous gift of life itself, and all its intrinsic potential—so promising and rewarding for us—is eroded and reduced for them to a desperate effort to survive.

The self-perpetuating plight of the absolute poor simply cuts them off from whatever economic progress there may be in their own societies. They remain largely outside the entire development effort, neither able to contribute much to it, nor benefit fairly from it.

Unless specific efforts are made to bring them into the development process, no feasible degree of traditional welfare, or simple redistribution of already indequate national income, can fundamentally alter the circumstances that impoverish them.

The governments of the poorest countries must, then, reorient their domestic policies so that they will both accelerate economic advance and begin to reach the poor with measures specifically designed to help them to become more productive.

disgracefully indequate

All of this is feasible, but not without greater help from the international community. If poverty is to be reduced, then developed nations must squarely face the fact that current and projected levels of Official Development Assistance for the poorest countries are disgracefully inadequate. On the basis of present plans, not only is there no hope that the ODA target of 0.7 per cent of GNP can be reached but there is a serious possibility that performance may erode even further.

The principal reason for this is that the strongest and wealthiest of the OECD nations—countries whose Gross Domestic Product accounts for two-thirds of the entire combined GNP of the 17-nation Development Assistance Committee group—are substantially below the average of the others in their response to the target. And the contribution of these nations will decline even further unless they act deliberately to reverse their projective ODA trends.

The economies of these nations—already immensely productive—will become even more productive over the next few years. For them—or indeed for any of the other developed nations—increasing their help to the poorest countries would not require them to diminish in the slightest their own high standards of living, but only to devote a miniscule percentage of the additional per capita real income they will earn over the decade.

If the governments of the poorest countries do not take the internal measures they must, and if the developed nations do not help them with the development assistance they so seriously need, then the outlook for three out of every five of the 1.2 billion human beings who live in these disadvantaged countries is unspeakably grim.

The record of the middle-income developing countries over the past decade has been better, but their achievement has been marred by serious inequities in their income-distribution patterns.

Not only do the 170 million absolute poor in their societies suffer the same deprivations as those in the poorest countries, but hundreds of millions more subsist on income levels less than a third of the national average.

These extremes of inequality have contributed to severe political turmoil in a number of these countries, and could easily trigger further violence. Governments must recognize that if the growth rates of the past are to be resumed and sustained, their benefits must be more widely distributed.

As those measures are taken—and are buttressed by greater efforts to mobilise internal resources, expand employment, and broaden the range of exports—the industrial nations must find practical ways to assist by permitting more equitable access to their own markets, and by making available additional development capital on reasonable terms.

All of this, too, is feasible, given a sense of fairness and realism. The dialogue over these issues within the international community is intense, but is often confused and ineffectual because of the tendency to prolong debate over peripheral questions, rather than come to terms first with what is clearly fundamental.

And what is fundamental is that the developing nations must make a strong commitment to internal policy reforms; and the developed nations must, in their turn, make a comparable commitment to

Flow of Official Development Assistance from Development Assistance Committee Members Measured as a Percentage of Gross National Product[1]

	1960	1965	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Australia	.38	.53	.59	.53	.59	.44	.55	.61	.55	.56	.57	.57	.58
Austria		.11	.07	.07	.09	.15	.18	.17	.16	.16	.17	.17	.18
Belgium	.88	.60	.46	.50	.55	.51	.51	.59	.57	.61	.64	.65	.68
Canada	.19	.19	.42	.42	.47	.43	.50	.57	.58	.61	.65	.68	.70
Denmark	.09	.13	.38	.43	.45	.48	.55	.58	.62	.64	.67	.70	.70
Finland[2]		.02	.07	12	.15	.16	17	.18	.20	22	.24	.27	.29
France	1.38	.76	66	.66	.67	.58	.59	.62	.61	.59	.60	.61	.62
Germany	.31	.40	.32	34	.31	.32	.37	.40	.32	.29	.28	.27	26
Italy	.22	10	.16	.18	.09	.14	.14	.11	.11	12	.12	.12	.12
Japan	.24	.27	.23	.23	.21	.25	.25	.24	.23	.22	.22	21	.20
Netherlands	.31	.36	.61	.58	.67	.54	.63	.75	.85	.88	.89	.88	.88
New Zealand[3]			23	.23	.25	.27	.31	.52	·42	.41	.44	.46	.47
Norway	.11	.16	.31	.33	.43	.43	.57	.66	.74	86	.96	.97	.97
Sweden	.05	.19	.38	.44	.48	.56	.72	.82	.86	.89	.92	.96	1.00
Switzerland	.04	.09	.15	.12	.21	.16	.15	.19	.16	15	14	.14	.14
United Kingdom	.56	.47	.37	41	.39	.34	.38	.38	.37	.37	.39	.40	.41
United States[4]	.53	.49	.31	.32	.29	.23	.24	.27	.26	.24	.23	.22	.21
Grand Total													
ODA ($b-Nominal Prices)	4 6	5.9	6.8	7.7	8.5	9.4	11.3	13.6	14.6	16.2	18.3	20.5	22.8
ODA ($b-Constant 1975 Prices)	11.0	12.3	11.5	12.2	12.1	11.6	12.7	13.6	13.6	14.1	14.6	15.3	15.9
GNP ($t-Nominal Prices)	.9	1.3	2.0	2.2	2.6	3.1	3.4	3.8	4.2	4.8	5.5	6.2	6.9
ODA as % GNP	.52	44	.34	.35	.33	.30	.33	.36	.35	.34	.34	.33	.33
ODA Deflator[5]	.42	.48	.59	.63	.70	.81	.89	1.00	1.07	1.15	1.25	1.34	1.43

[1] Figures for 1975 and earlier years are based on actual data. Those for 1976-80 are based on OECD and World Bank estimates of growth of GNP, on information on budget appropriation for aid, and on aid policy statements by governments—they are projections, not predictions, of what will occur unless action not, now planned, takes place. [2] Finland became a member of DAC in January 1975. [3] New Zealend became member of DAC in 1973. ODA figures for New Zealand are not available for 1960 and 1965. [4] In 1949, at the beginning of the Marshall Plan, US Official Development Assistance amounted to 2.79% of GNP. [5] Includes the effect of parity changes. Figures through 1975 are based on DAC figures. Deflators for 1976-80 are the same as those for GNP.

provide a more adequate amouut of development assistance.

It is less important initially what specific forms that assistance will take than that a general agreement be concluded on two basic points: the overall magnitude of the trade assistance and capital requirements within a given time frame; and the scope of the internal policy reforms that will assure its cost effectiveness.

Once these two fundamental issues have been agreed upon, the specific negotiations will have a pragmatic framework in which to proceed.

Whatever may be decided, it is obvious that our own institutions in the World Bank—IBRD, IDA and IFC—will be involved. That is why we must move promptly to consider, and to resolve, the resource constraints that face us.

We can no longer afford to defer the discussion over the IBRD's future growth. Either we should accept in principle that it ought to continue—as it has over the past decade—to broaden its response to the critical capital needs of our developing member countries. Or we should decide consciously to let its usefulness decline as the limits of its present capitalisation are reached, and as inflation erodes the real value of its commitments.

I believe that the latter course would be extremely unfortunate, particularly since there are a number of practical alternatives to immediate and burdensome budgetary requests. But we must meet the basic issue squarely, and not permit procrastination to drain our opportunities away.

Decisions over the Fifth Replenishment of IDA are even more pressing if a complete hiatus in operations is to be avoided at the end of next June. Surely we cannot contemplate the stark realities of absolute poverty in our poorest member countries, and then turn our backs on the 750 million human beings there who are trapped in it.

IDA has become the international community's primary weapon against the worst forms of poverty. We must not let it grow less effective—or lie unused—through our neglect and failure of purpose.

By any objective standard, absolute poverty is an anachronistic tragedy in our century. A tragedy because it is a condition of life beneath the level of human decency; and anachronistic because there are now at hand the economic and technological means to end it.

But in the final reckoning, it will not be simply economics and technology that end it. It will be people—people who care, people who make sacrifices, people who take practical steps to see the task through.

We are those people.

We have to ask ourselves—each one of us—where we really stand.

Investment explosion in Saudi Arabia

The sharp increase in the price of crude oil since the last quarter of 1973 has placed enormous funds at the disposal of Saudi Arabia which has a population of not more than eight millions. In this report prepared by the Economic Research Department of Union Bank of Switzerland, it is shown that Saudi Arabia offers splendid opportunities for collaboration in various development projects, though only the western companies have so far grabbed most of the new opportunities.

SAUDI ARABIA is the largest oil producer among the OPEC, with nearly quarter of the world's proven reserves lying within its borders. Crude oil and petroleum products account for approximately 85 per cent of its Gross National Product (GNP). The industrial buildup of the country began back in the sixties, with efforts being focussed especially on the construction of steel rolling mills and cement plants. Nevertheless, industrialisation outside the oil sector remains in a primary stage, with traditional small handicraft establishments still predominating. Agricultural production has been hampered up to now mainly by the scarcity of water and accounts for only about three per cent of the GNP.

As a consequence of the massive increases in the price of oil, more than $ 50 billion have flowed into the country's coffers since the oil crisis in October 1973. In 1975 alone, when production was cut back by 20 per cent, Saudi Arabia's oil revenues came to about $28 billion, an amount far in excess of the Saudi economy's financial needs. Around $15 billion of the surplus was lent to international organisations and other nations or directly invested abroad. By the end of January 1976, Saudi Arabia's monetary reserves stood at $23.4 billion (January 1975: $14.8 billion), thus making it the nation with the world's second largest monetary reserves after West Germany.

Saudi Arabia has set itself the goal of using its mammoth surplus revenues to industrialise and to diversify its economy away from its hydrocarbon base. To attain these goals, an ambitious development programme for the period from 1975 to 1980 was initiated last year.

Shortly before the end of the first Saudi Arabian Development Plan, approval was given to the second five-year development plan covering the period from July 1975 to June 1980. In order to lessen the economy's extremely strong dependence on oil and to increase government social benefits, capital expenditures of $142 billion or SR 498 billion, are slated by 1980. A good half of this amount will be spent on construction projects, mainly to build up the infrastructure of the country. About SR 73 billion will go for education, with emphasis to be placed on technical training. Another SR 63 billion are scheduled for industrial expansion, while more than SR 40 billion will be invested in agriculture and the development of water resources.

The oil industry will continue to be the most important sector of the economy.

At an annual production rate of about 337 million tonnes (total 1975 output), Saudi reserves proven up to now would last another 100 years at least. The Arabian American Oil Company (Aramco), in which Saudi Arabia has had a 60 per cent holding since January 1974, produced over 95 per cent of the nation's oil. The agreement between Saudi Arabia and Aramco in existence since the beginning of 1976 stipulates a 100 per cent take-over this year by the state-owned company, Petromin, which oversees the development of all mining. It is responsible for carrying out and financing development projects.

According to the second five-year development plan, SR 45 billion are earmarked for the oil sector. Large-scale investments will be made in refineries, petrochemical complexes and fertilizer plants. Natural gas projects account for the largest share of the funds. With the help of plants for the gathering, treating and separating of natural gas, better utilisation of this resource is being planned; at present up to 80 per cent goes to waste. Export of natural gas is to be stepped up by the construction of additional refineries, and a new 1,250-kilometre pipeline from the Arabian Gulf to the Red Sea will facilitate the transport of natural gas to western Europe.

splendid opportunities

Numerous opportunities are open to both Saudi and foreign investors to participate in the industrial projects planned. The government is financing large projects mainly on its own only in the oil sector, whereas it is cooperating with private industry in other sectors of industrial development. In contrast to other oil-producing countries, Saudi Arabia is interested in foreign financing for other large-scale projects. Over the long term the government is even planning to turn its interests over to the public.

Within the framework of the second five-year Plan, special emphasis is being placed on the buildup of industry. Efforts will be made to promote the production of consumer goods for the domestic market and thus to some extent reduce the heavy dependence on imports. The government plans to provide SR 6.7 billion to support a variety of projects (excluding refining). All in all, with the aid granted, the annual real growth rate should average around 13 per cent. The recent increase in applicatians for industrial licences is the first stage in the realisation of goals set.

As a result of the funds to be spent on developing the infrastructure, the construction industry should expand substantially in the next few years The share of this sector in non-oil GDP (Gross Domestic Product) is to be increased from 25 per cent in 1974-75 to more than 50 per cent in mid-1980. To accomplish this, SR 258 billion—more than half of the plan total—are earmarked for the building sector.

Planned Expenditure for Construction 1975-80

Type of construction	Expenditure/ billion SR
Industrial	70
Other private and public	92
Civil engineering projects	96
Total	258

Because the capacity of the domestic construction industry is still inadequate to handle the projects planned—despite strong expansion in recent years—foreign partners are being sought. Competition among foreign companies has become considerably keener, owing in no small degree to the recession in the industrial nations. In addition, the heavy demand for building materials and the problems caused by port congestion have pushed building costs and material prices skyward. For example, while the price for cement on world markets has declined, it has risen 40 per cent in Saudi Arabia within one year. To counter this development, the government is trying to speed up production of building materials domestically. Cement output in 1980 is projected at 10 million tonnes, up from 1.5 million tonnes today.

The shortage of labour has also driven up wages and salaries. In accordance with a government decree in March 1976, foreign construction companies are no longer allowed to recruit labour in Saudi Arabia. On the other hand, newly recruited workers are not allowed to be housed in existing quarters, which means that new lodgings must be built for foreign construction workers.

The buildup of agriculture is also a major aim of the new five-year plan. Because about 85 per cent of the land is unproductive desert, the utilisation of groundwater has first to be improved and irrigation systems must be expanded. For this development, SR 34 billion are budgeted for the five-year period.

The government is attaching priority to bettering living conditions in rural areas since about half the population of the country lives outside the cities. Agricultural workers, which number about 450,000 are to be placed on equal footing with industrial workers through government aid in the form of credit and subsidies as well as other social measures.

Through the promotion of agricultural production, the heavy dependence on imports of basic food products is to be reduced. New agricultural projects are also being planned in which foreign investors can participate.

Implementation of the second five year plan will be impeded by various factors. The biggest problems are in connection with the recruiting of foreign labour and the buildup of the infrastructure.

shortage of labour

Saudi Arabia's present labour force is estimated at about 1.6 million, but this group's level of training is still relatively low. For this reason, importance is being attached to technical training programmes for Saudi nationals. But such training is not likely to have a positive effect on the labour market untill a later date. In the meantime, the second five-year plan calls for at least 500,000 foreign workers. As a result the proportion of foreign labour will rise to 35 per cent of the working population, which could cause considerable social and demographic problems. For example, a part of the already insufficient construction capacity would have to be freed in order to put up the additional housing needed. In addition most of the labour required will have to be Moslem in view of the religious realities of the country. However, it is questionable whether Saudi Arabia can readily recruit the trained workers it needs, as it already competes with the other oil-producing nations for the qualified labour available.

Bottlenecks are also likely in the transport system. At present, one of the biggest problems is inadequate port capacity, a problem that arose mainly because of the enormous increase in imports and the sudden re-opening of the Suez Canal. Within a few months of the start of the second five-year plan, the average waiting time to unload at Red Sea ports was 30 days and a total of 130 ships lay anchored in Jeddah. In the meantime, the situation has become even worse, with the result that ships not carrying so-called priority goods, such as food and medicines, must now wait five to six months.

lack of port facilities

Unloading can be speeded up only by employing containers and the roll-on, roll-off method, but this involves costs roughly 30 per cent higher than in conventional transport. To ease the situation, short-term measures were introduced in January 1976. Construction of new berths was begun immediately, with the long-range unloading capacity (excluding oil) projected at 13 million tonnes annually by 1980, or nearly triple the present capacity of 4.5 million tonnes.

As the first stage in the implementation of the second five-year plan, record expenditures have been budgeted for 1975-76. Revenues, 90 per cent of which will again stem from oil, are budgted for the current year at SR 95.8 billion (—2 per cent compared to 1974-75) and expenditures at SR 110.9 billion (+143 per cent), thus giving a deficit of SR 15.1 billion. This amount can easily be covered, however, by the nation's monetary reserves.

In view of Saudi Arabia's still inadequately developed technological and administrative facilities as well as the problems already mentioned in connection with the labour market and the infrastructure, it is questionable whether the government will be able to disburse the full amount of the budget. Since 1971-72, no more than three quarters of budgeted funds have ever been spent in any one year.

In the first year (to June 1976) of the second five-year plan, about two thirds of the budget were earmarked for development including government construction projects as well as the expansion of the transportation and communication networks. High priority is also being given to education. In the oil sector, the production of natural gas is to be promoted and increased oil exploitation is to be carried out.

In order to guarantee success in carrying out the development projects, increased economic cooperation with western industrial nations is being planned. Saudi Arabia is interested not only in technological know-how but also in foreign financial participation. Over the past few years, numerous investment companies and development agencies, (for example, the Saudi Industrial Development Fund) have been established to make such participation possible. On the condition that Saudi partners own at least 25 per cent of the capital stock of the companies in which foreign capital is invested, considerable privileges are granted in the fields of taxation and import duties. In many cases interest-free loans are being granted.

liberal import policy

Owing to the heavy demand for imports and the nation's enormous financing capacity, Saudi Arabia, along with Iran and Iraq, has become one of the largest markets of the Middle East. Saudi Arabia applies a very liberal import policy. Capital goods, such as machinery, machine tools, instruments, spare parts, raw materials, semi-finished manufactures and packing material, can for the most part be imported duty free. Most other products, especially consumer goods, are subject to three per cent ad volorem duty. Exceptions are certain goods produced with comfortable quality in Saudi Arabia, on which protective duties of 20 per cent are levied.

Over the past few years, imports have increased tremendously, reaching SR 13 billion in 1974. The principal suppliers are the United States, Japan and the Common Market, with each accounting for about 25 per cent of total imports. In the first half of 1975, imports rose further to SR 9.25 billion (86 per cent over the first half of 1974). This gain can be attributed mainly to the heavier imports of capital goods needed to implement the nation's development projects. And there can be no doubt that Saudi Arabia's import volume will continue to expand, with the enlargement of port facilities playing a decisive role in regard to the extent of the growth.

free market economy

Saudi Arabia has a free market economy in which the government exerts its influence only on a protective basis. Accordingly, there are no restrictions on international payment transactions. The Koran and its interpretations are to a large extent the foundation for business and legislation.

Whereas the private business sector operates predominantly on the basis of direct purchase and only in exceptional cases issues tenders, government agencies employ tenders for virtually all of their contracting. In Saudi Arabia, two forms of tenders are used : open tenders and closed tenders. Open tenders can be purchased by any interested party from the issuing office. In the case of closed tenders, a limited number of previously rated companies which are registered with the issuing office are invited to make bids.

To obtain open tender files in time, it is essential for an exporter to have contact with someone in Saudi Arabia who can notify him immediately of any tenders being issued or who can purchase the particulars himself and send them to the exporter without delay.

At Saudi Arabia's present stage of development, it can be observed that products for the expansion of the infrastructure and communications systems as well as consumer goods of all kinds are greatly in demand.

The exporter who wishes to take advantage of the opportunities offered on Saudi Arabia's markets should bear in mind the following points :

1. Comprehensive information on

local practices should be obtained from persons familiar with local conditions.

2. Information should be obtained on the spot by means of familiarisation trips.

3. New contacts should be made and existing contacts should be reviewed.

4. Care should be taken in appointing the best possible agents or representatives to guarantee one's interests at local levels in Saudi Arabia.

5. Collaboration with business partners should be carried out at least in the beginning by means of letters of credit.

6. Close association with a neutral party should be maintained in order to obtain objective advice and assistance whenever needed.

primary goals

The private economy is being encouraged to contribute to the realisation of the development goals, primarily raising the national standard of living and increasing the economic potential of the country.

The government exerts influence on the private economy only in the case of industrial projects of national importance, as many of these undertakings are of such huge dimensions and extreme complexity that many traditionally trade-oriented Saudi Arabian businessmen find them outside their field of experience. The government plans, however, to place such enterprises in the hands of private industry as soon as such action becomes feasible.

If in a joint venture Saudi partners have a participation of at least 25 per cent, the enterprise will enjoy various benefits allowed by the government in the interest of developing the nation's industrial base (tax relief, import duty concessions, special low rental industrial sites, financing, assistance, etc). Licences must be obtained for the investment of foreign capital. Application should be sent to the ministry of Commerce and Industry, Foreign Capital Investment Office, Riyadh. There is no charge for licences.

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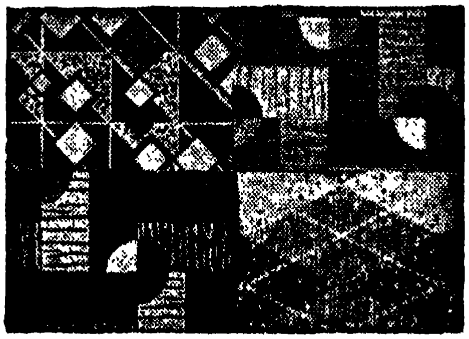
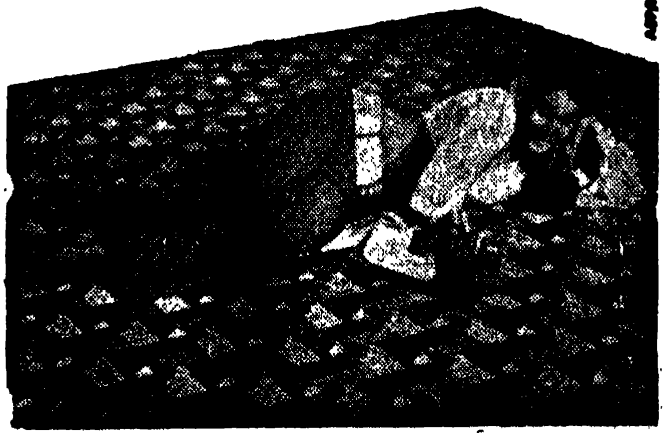




TRADE WINDS

Rupee Upvalued

THE EXCHANGE rate of the rupee has been revised upwards since September 29, registering a record appreciation of 4.6 per cent against the pound sterling. This revaluation is ninth in the series since the rupee was delinked from the pound in September last year. As a result of this revision the middle rate is Rs 14.70 per pound as against Rs 15.40 earlier. When the rupee was delinked from the pound, the rate was Rs 18.31.

The Reserve Bank of India has revised its rates for the purchase and sale on pound sterling for spot delivery, the new rates being-buying : £6.8259 per Rs 100 (corresponding to Rs 14.65 per sterling pound), selling: £6.7797 per Rs 100 (corresponding to Rs 14.75 per sterling pound). The Reserve Bank revealed that the buying and selling rates have been so fixed as to yield a middle rate of Rs 14.70 per pound, as compared to the earlier middle rate of Rs 15.40.

The RBI will continue to buy forward sterling for delivery up to nine months at rates to be determined, as hitherto, by adding a margin of £0.0125 per Rs 100 per quarter or part thereof to its spot buying rate. The bank will also continue to allow, on reqeest, one or more extensions of its forward contracts on payment of a charge of £0.0125 per Rs 100 for each quarter or part thereof, subject to the condition that the total period of delivery should not exceed 12 months from the date of the original contract.

Company Deposits

Before the Companies (Acceptance of Deposits) Rules, 1975 came into force, acceptance of deposits by non-banking non-financial companies was being regulated by the Reserve Bank through directions issued from time to time. These directions, as they stood prior to January 27, 1975, allowed these companies to take deposits against unsecured debentures, deposits from shareholders (in the case of public limited companies), deposits guaranteed by directors and deposits taken for meeting short-term requirements to the extent of 25 per cent of the aggregate of its net owned funds.

From January 27, 1975, this limit was reduced to 15 per cent. When the Companies (Acceptance of Deposits) Rules, 1975 were promulgated by the central government on February 3, 1975, time was given up to December 31, 1975 to reduce the category of deposits described earlier from 25 per cent to 15 per cent of net owned funds. Representations by companies about the difficulties they were experiencing in the matter of repayment of these deposits made the government extend the time limit first to June 30, 1976, and again to September 30, 1976. There have been further representations about the continued difficulties the industry is facing and the government in consultation with the Reserve Bank, has decided to allow a further extension of time till December 31, 1976 for this purpose.

Trade with Morocco

A three-member Moroccan economic delegation led by Mr Zine El-Abidine Sobti, director of economic relations and co-operation in the Moroccan ministry of Foreign Affairs, had meeting with the officials of the External Affairs ministry. The discussions centred round the proposed agreements on economic and technical co-operation and science and technology. The delegation also held meetings with officials of the ministry of Commerce on the revival of the 1962 Indo-Moroccan trade agreement. They discussed with officials of the ministry of Petroleum and Chemicals and the MMTC the question of supplies of phosphates.

Rural Electrification Corporation

The Rural Electrification Corporation (REC) has decided to provide credit assistance for lift irrigation and tube-well projects and for enabling state electricity boards to improve their service and performance efficiency. This was disclosed by REC chairman, Mr B. Vankatappiah at a press conferance recently. Under the first scheme, which will be known as Mini Farm(LI) Scheme, the corporation will extend credit ranging up to Rs 25 lakh to a state electricity board for lift irrigation and tubewell projects undertaken by state department or and corporations and cooperatives. Under the second scheme named Special Loan (SL), credit will be extended to state electricity boards to improve their overall efficiency.

During the last year, Dr Venkatappiah stated, REC laid greater emphasis on projects aimed at increasing production and promoting parity between advanced and backward areas. While steady progress was maintained in financial and physical performance, several measures were initiated to meet the changing needs of rural electrification. For the sixth year in succession, the REC chairman indicated, the corporation earned a surplus, the profits after taxation for 1975-76 being Rs 3.35 crores as compared with Rs 3.03 crores in 1974-75 and Rs 2.54 in 1973-74. The corporation declared a dividend of Rs 55 lakhs on equity capital

India-Nauru Cooperation

India and the Republic of Nauru have agreed to set up a joint venture project for the production of phosphoric acid in India following discussions in New Delhi between Mr K.D. Malaviya, minister for Petroleum, who is currently holding charge of the ministry of Chemicals & Fertilizers also, and Mr Hammer De Roburt, minister for Development and Industry of the Republic of Nauru. A memorandum of understanding to this effect was signed recently by Mr K.D. Malaviya on behalf of the government of India and by Mr R.B. Detedamo, minister of Works of the Republic of Nauru. The two governments have agreed that they would designate the corporation which would participate in the share capital of new company to be formed for the purpose of implementing the proposed joint venture.

The total capital cost of the phosphoric acid project was estimated at around Rs 40 crores. The limited foreign exchange component of the estimated capital cost of the project was expected to be adequately covered by the equity contribution from Nauru who may be allowed to hold equity in the new company to the extent of 40 per cent, in accordance with the normal policy of the government of India in such cases.

On the basis of an initial capacity of 1,00,000 tonnes of P_2O_5 the annual requirement of rock phosphate was expected to be 3,00,000 tonnes. It was indicated during the talks that Nauru might be able to supply large quantities upto one million tonnes of rock phosphate if mutually acceptable terms could be worked out.

Electronics in Maritime Shipping

The department of Electronics and the ministry of Shipping and Transport have constituted a joint committee to assess the requirements of electronic equipment for merchant ships on a continuing basis and to promote a programme of indigenous development-cum-production to meet those requirements. A particularly important responsibility of the committee will be to evolve specifications and test procedures for type approval of all kinds of indigenous marine electronic equipment, and to work out a programme for actual approval testing.

The committee, under the chairmanship of the Director-General of Shipping, includes the Nautical Adviser to the government of India, Mr S.S. Gill, joint secretary, ministry of Shipping, Mr Ashok Parthasarthi, joint secretary, department of Electronics and Mr N. Rajagopal, director, ministry of Shipping, Dr V.P. Kodali, director (Technical) in the department of Electronics will be the member-secretary of the committee.

International Coffee Council Meet

The twentyninth session of the International Coffee Council met at London on September 27, to finalise the procedures of operation of the International Coffee Agreement —1976, which commenced from October 1, this year. The Indian delegation to the meeting was led by Mr Vishwanath Pratap Singh, union deputy minister of Commerce. The decision to begin the new Coffee Agreement from October 1 was taken in an earlier session of the ICC held in November 1975 in London, which is the headquarters of the international coffee organisation. The procedures for the agreement include major issues such as verification of stocks, establishment of the indicator price system and the application of the system of certificate of origin. The operation of the quotas under 1976 agreement is linked to the indicator price system.

Credit Cooperative

The committee appointed by the Reserve Bank in September 1975 under the chairmanship of Dr R.K. Hazari (deputy governor and chairman of Agricultural Refinance and Development Corporation) has underlined the urgency of integrating the short-term and long-term wings of the cooperative credit structure in the country at all levels which, it says, is necessary from the national angle and in the interests of farmers and the cooperative credit institutions. Out of the 15 members of the Committee, one member, Mr B.S. Vishwanathan, representing the Federation of Land Development Banks, has opposed integration at any level and has given a minute of dissent.

The committee has also suggested certain measures for simplification of lending procedures by cooperatives which would cut across the cumbersome formalities in obtaining securities and facilitate lending for diversified purposes. An innovative suggestion made in this regard relates to the amendment to Cooperative Law for creation of a special charge to be known as "gehan" which will have all the facilities of a simple charge and also simultaneously safeguard the interests of the financing society or institution. For mobilisation of long-term resources also, a simple method of borrowing funds through bonds and loans is recommended, instead of the present system of debentures backed by mortgages.

Procurement Policy for Kharif Cereals

The government has taken the following decisions on the recommendations of the Agricultural Prices Commission on the price and procurement policy for kharif cereals for the 1976-77 season after consulting the chief ministers and Agriculture ministers of the various states: (1) Procurement price of paddy for 1976-77 season be continued at the same level as last year, viz, Rs 74 per quintal for coarse varieties. (2) Procurement price of coarse grains for the 1976-77 season be continued at the same level as last year, viz, Rs 74 per quintal. (3) The zonal arrangements and movement restrictions on rice and paddy existing in 1975-76 may be continued except for the states of Andhra Pradesh, Tamil Nadu and Karnataka and Yanam, Pondicherry and Karikal of the union territory of Pondicherry being formed into a larger zone for rice. The northern rice zone is also being expanded to include Rajasthan. (4) Target of procurement of rice has been fixed at 4.4 million tonnes. (5) Movement of coarse grains should continue unrestricted throughout the country and no definite target be fixed for the procurement of coarse grains. It may be left to the states to procure the coarse grains under the producer's levy and under price support. (6) The premium for processing paddy into parboiled rice be increased from Rs 3 to Rs 5 per quintal of rice. (7) Issue prices of raw rice from the central pool be maintained at last year's level. (8) Issue prices of parboiled rice of different varieties be increased by Rs 2 per quintal to make up for the additional premium being paid for parboiled rice. (9) Issue price of coarse grains be maintained at the same level at last year's viz, Rs 86 per quintal. (10) The bonus scheme for supply of rice to the central pool only may be continued for 1976-77 season also with suitable adjustments.

Shipping Agreement with Bulgaria

This country has reached a bilateral shipping agreement with Bulgaria recently. The agreement was initialled at Sofia on September 24, and will be signed at the time of the forthcoming visit of the President of Bulgaria to India in November this year. The main features of the agreement are that the cargo moving between the two countries and freight earnings on that cargo will be shared equally between the vessels of both the countries, and that no income tax will be levied on the freight earnings on the cargo moving between the ports of these two countries by either party.

Exports to Hungary

Exports from India to Hungary during 1976 are likely to total Rs 25 crores which is in accordance with the Trade Plan for 1976 signed last year between the two governments. Apart from the main traditional items such as iron ore, deoiled cakes, groundnuts, tea, coffee, black pepper, jute products, semi-hides and skins and mica a large number of non-traditional items have already found a good market in Hungary. In 1976, more than Rs 5 crores worth of non-traditional items will be exported. Besides transistor radios, desk calculators, gramophone records and music cassettes, auto parts and ancillaries, bicycle parts, stainless steel cutlery, hand tools and small batteries, other items in this range are tinned products, cosmetics, leather garments, shoe-uppers, cotton ready-made garments, confectionaries and stationery items.

New Items

The Hungarian importers have succeeded in introducing in their market, newer items produced by Indian industry. So, during the current year, high capacity transformers, high performance electronic mini-calculators, machine tools for different Hungarian factories, car radios and measuring instruments have entered the Hungarian market.

Hungarian Importer is bringing out a special number on India to acquaint the Hungarian consumers with the export possibilities of Indian industry. The editor of this bi-monthly journal (published by the Hungarian Chamber of Commerce) Dr A. Trom had an opportunity recently to visit some of the large factories in Bombay, Calcutta and Delhi. He has returned to his country with the impression that the Indian exporters for non-traditional items have plenty of scope in capturing the Hungarian market.

Hindustan Petroleum

The government and the ESSO Eastern Inc, signed on September 25, a formal agreement for the acquisition and transfer of the remaining 26 per cent equity holding of ESSO Eastern Inc. in Hindustan Petroleum Corporation Limited. The transfer of shares was effected on October 1, when the Hindustan Petroleum Corporation Limited became a 100 per cent government undertaking. The secretary, ministry of Petroleum, Mr B B. Vohra, signed on behalf of the government of India while Mr N.R Vaswani, initialled the agreement on behalf of ESSO Eastern Inc.

EXXON, principals of the ESSO Eastern Inc, were operating a fuel refinery in the country capable of processing 3.5 million tonnes of crude per annum and owned a large marketing network for the distribution of petroleum products. They were also holding a 50 per per cent share in the equity of a modern lube plant. On March 14, 1974, EXXON assets in India were acquired by the government and a new company called Hindustan Petroleum Corporation Limited was set up with EXXON retaining a 26 per cent holding in the company. In accordance with the agreement signed in March 1974, the balance 26 per cent share of ESSO would have been transferred to the government only in 1981. But ESSO Eartern Inc. agreed to part with these shares early. The 100 per cent take over of former ESSO is expected to facilitate reorganisation and rationalisation of the country's oil industry, 95 per cent of which would now be under government control.

Fertilizers for Dry Land Farming

The Fertilizer Corporation of India has been assigned the task of implementing the dry land farming fertilizer project in three districts of Madhya Pradesh. Sponsored by the union government, the government of the United Kingdom and the Food and Agriculture Organization (FAO)of th United Nations, the project i designed to promote intensiv agricultural production b applying modern dry lan farming technology, fertilize being the 'kingpin'.

Madhya Pradesh is the largest state covering an area of nearly 443,000 square kilometres. Out of the total population of 46 million, nearly 85 per cent live in rural areas and depend almost entirely on agriculture for their livelihood. The project, will be financed from the sale proceeds of the complex fertilizers to be supplied by the government of the United Kingdom through FAO in 1976, 1977 and 1978, and valued at nearly Rs 43 lakhs. FAO will provide experts to supervise the programme.

The FCI has planned to start the work in six clusters of villages, two in each of the three selected districts of Dewas, Khandwa and Ujjain because of their typical dry farming conditions, particularly, low rainfall, black cotton soil and backward farming conditions. While the fertilizers will be sold at cost, the other inputs like seeds and pesticides will

Eastern Economist 30 Years Ago

OCT. 11, 1946

The total consumption of edible oils and fats in India is approximately 1.5 million tonnes, of which 800,000 tonnes is oil and 700,000 tonnes ghee. This works out to a per capita figure of about 4 seers per annum, or less than a fifth of what is necessary according to nutrition standards. At the outbreak of the war, in addition to the low average offtake of fats, there was also a wide disparity in consumption between the different regions in India. Mustard oil was confined to Eastern India, groundnut and sesamum oil to the South, ghee to North Western India and linseed oil was favoured in portions of Central India. The lowest consumption was in Eastern India at about 3 seers per annum per head. As the rich and middle class people in urban areas consume large quantities of oil, it is apparent that the actual consumption in the rural areas was very small. Although the consumption was extremely low in many parts of India, there were local surpluses of certain varieties of edible oilseeds which formed important commodities for export. While rape, mustard and sesamum are produced entirely for local consumption, a large proportion of groundnut and linseed found its way in pre-war years to overseas markets. In rural areas oil was produced mainly by village ghannies and the oilcake was used partly as cattle feed and to a limited extent as manure.

e given to the farmers by the anufacturers and agencies on subsidised basis. Improved mplements for cultivation will e provided by the project which will also arrange for loans with the nationalised banks.

Fertilizer Output

A record production of 167,000 tonnes of nitrogen and 43,000 tonnes of phosphate in August has pushed the cumulative production for the April-August period in the current year to 738,000 tonnes of nitrogen and 176,000 tonnes of phosphates representing a growth rate of over 40 per cent in both cases. The previous best production of nitrogen and phosphates in a single month was during March when 165,200 tonnes of nitrogen and 35,300 tonnes of phosphates was produced. The total production of 738,000 tonnes of nitrogen for the five-month period is 220,000 tonnes more than the 518,000 tonnes production achieved in the corresponding period last year. Increased production represents a growth rate of 42.5 per cent.

Most of this additional production came from the same units which were operating last year. While the already existing units gave an additional production of 190,000 tonnes, the two units—Mangalore and Namrup Expansion commissioned in April and May this year contributed only 30,000 tonnes to nitrogen production because production in these new units have still to stabilise. The Barauni plant of FCI, commissioned in July this year is still under trial runs. The overall capacity utilisation has shown an improvement of about 11 per cent during the five-month period. The capacity utilisation increased from 59.2 per cent in April-August 1975 to 70.5 per cent during April-August 1976.

Processed Food to Gulf Countries

Exports of processed vegetables and fruits as well as livestock has witnessed rapid increase to the Persian Gulf area comprising Abu Dhabi, Bahrain, Dubai, Kuwait, Oman, Qatar, Saudi Arabia, Muscat, Yemen Arab Republic, Lebanon, Iran, Iraq and Jordan. The export value was almost doubled from Rs 63 lakhs in 1973-74 to Rs 125 lakhs in 1974-75 and improved further to Rs 189 lakhs in the first three quarters of 1975-76 (April-December 1975). The export earning of processed fruits improved from 31 lakhs to Rs 86 lakhs and Rs 115 lakhs in these periods while that of processed vegetables rose from Rs 3 lakhs to Rs 4 lakhs and Rs 6 lakhs. The main export items under processed fruits have been fruits jams, fruit juices, mango slices in brine and fruits in preserved form. The principal items under processed vegetables are preserved and prepared vegetables, chutneys, pickles without sugar, preserved vegetables and vegetables in air-tight containers. Live animal exports, which were of the order of Rs 5 lakhs in 1973-74, amounted to one rupees lakh in 1974-75 and Rs 13 lakhs during the first three quarters of 1975-76. The main items that are exported in this category are sheep and goats. Buffaloes which are not useful for breeding and draught purposes have also been allowed for export effective from May 1976.

Names in the News

The government has appointed four more persons as directors on the board of India Tourism Development Corporation (ITDC). They are **Mr C.B. Jain**, director-general of Tourism; **Mr A.S. Bhatnagar**, joint secretary, ministry of Tourism and Civil Aviation; **Mr A.H Mehta**, acting chairman and managing director, Indian Airlines and **Mr V.N. Kak**, chairman, Rajasthan State Hotels Corporation, Jaipur. **Mr B.S. Gidwani**, director-general of Civil Aviation, will continue to be a director on ITDC board. With the addition of these four members, the strength of the board of directors has gone up to eleven.

Government of India

6 per cent loan 1993 (Second Issue) to be issued at Rs 99.25 per cent and repayable at par on 26th of July 1993. 6½ per cent loan 2002 to be issued at Rs 100.00 per cent and repayable at par on 16th of October 2002.

Subscriptions to the above loans will be received simultaneously and will be limited to a total of Rs 275 crores (approximately). Subscriptions may be in the form of cash/cheque. Government reserve the right to retain subscriptions upto ten per cent in excess of the notified amount.

2. If the total subscriptions received for the loans exceed the notified figure plus the amount of ten per cent retainable as aforesaid, partial allotment will be made in respect of the subscriptions received and the balance refunded in cash as soon as possible.

3. In the case of 6 per cent loan 1993 (Second Issue) interest for the period 16th October 1976 to 25th January 1977 inclusive will be paid on 25th January 1977 and thereafter interest will be paid half-yearly on 26th July and 25th January. Interest on 6½ per cent loan 2002 will be paid half-yearly on 16th April and 16th October.

4. Interest on all the loans now issued together with interest on other previous Government securities and income from other approved investments will be exempt from income-tax subject to a limit of Rs 3,000 per annum and subject to other provisions of Section 80L of the Income-tax Act, 1961. The value of the investments in the loans now issued together with the value of other previous investments specified in Section 5 of the Wealth Tax Act will also be exempt from the Wealth Tax upto Rs 1,50,000.

5. Subscription lists for the new loans will open on the 16th of October 1976 and close on 18th of October 1976 or earlier without notice.

Applications for the loans will be received at:

(a) offices of the Reserve Bank of India at Ahmedabad, Bangalore, Bombay (Fort and Byculla), Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna; and

(b) branches of the State Bank of India at all places in India except at (a) above

6. Securities will be issued in the form of Promissory Notes or Stock Certificates. The advantages of investing in the form of Stock Certificates are as under:

(i) It is safer than a Government Promissory Note as the name of the holder is registered in the books of the Public Debt Office.

(ii) The Stock Certificate will be sent to the applicant direct by registered post by the Public Debt Office.

(iii) The half-yearly interest will be remitted to the holder direct by an interest warrant drawn at par on any Treasury or State Bank branch stipulated by the holder. If the holder so desires, the interest will be remitted by Money Order after deducting the Commission charges; in respect of Stock Certificates where the net amount of interest to be remitted is less than Rs 20/- no money order commission will be charged.

(iv) If the holder wishes to sell his securities he can do so by signing the transfer form printed on the back of the Certificates in the manner prescribed therein.

(v) Government Promissory Notes in exchange for the Stock Certificate can be obtained by applying to the Public Debt Office and on payment of a nominal fee for each new note required.

7. For any further clarification, please apply to any of the offices or branches mentioned in paragraph 5.

COMPANY AFFAIRS

Seshasayee Paper

THE YEAR 1975-76 has been one of considerable stress and strain for the paper industry. The industry has had to battle on more than one front. Perhaps, the biggest problem faced by the industry is the continuing escalation in all the ingredients of cost, starting from primary raw materials, power and fuel costs, no less the cost of diverse chemicals and other inputs. The industry seems to be reaching a point where these developments are beginning to challenge viability of operations. On the other side, the industry is compelled by the central government to supply 30 per cent of its total production at a fixed price of Rs 2750 per tonne to the "preferred sector", which is substantially below the current ex-factory cost of production of paper.

Levy Price

There does not appear to be much logic in any industry being called upon to sell its output or any part thereof at below cost price. As the "levy price" was fixed long before the costs started escalating. It is high time that the government undertakes a review both of the levy price and of the percentage of the total output of the paper mills, which is needed for consumption by the government agencies and the educational sector. It is evident from the consumption pattern of last year that the "preferred sector" could do with substantially less paper than is indicated by the present 30 per cent stipulation. Considering the all round economy drive undertaken by the government in all sectors of departmental consumption, there seems to be some scope for reduction in the quantum of paper they require to be supplied at the levy price. This was stressed by Mr S. Narayanaswamy, the chairman of Seshasayee Paper and Boards Ltd, while addressing the annual general meeting of the company.

Joint Effort

Referring to the afforestation programmes the chairman said that the paper industry is convinced that efficient and speedy afforestation can be undertaken on a realistic scale only through the joint efforts of the paper industry and government, with the former taking an active part in giving guidance to such a programme and the government allocating the required blocks of lands for the purpose to the industry and providing a part of the resources required for launching such an afforestation programme.

In this context the chairman has welcomed the efforts of the Tamil Nadu Forest Plantation Corporation which has undertaken growing eucalyptus and other plantations on a commercial basis. As the government has limited resources it will not be in a position to undertake commercial afforestation on the scale required by paper and man-made fibre industries. Hence it is felt that a joint effort should be made by the industry and the government through a long term lease of the required lands in an appropriate forest area, to the industrial units to grow their own pulpable varieties of wood. It has assumed added significance due to the fact that the paper industry seems to be entering upon a new phase, when it can no more depend on unspecified sources for its requirements of primary raw materials, any more than the sugar industry can for instance, depend on unspecified sources for its requirements of sugarcane.

The company is making rapid progress in the implementation of the expansion scheme aimed at raising the installed capacity from 35,000 tonnes to 55,000 tonnes per annum. The additional capacities are expected to go on stream by the middle of 1978. The expansion project is expected to cost Rs 20 crores. It will be financed by internal cash generation to the tune of Rs 4 crores while Rs 15 crores will be raised as borrowings from five financial institutions and six nationalised banks. The balance of one crore of rupees required towards the closing stages of the expansion project will be met by issuing 11 per cent preference shares in respect of which underwriting arrangements have been already finalised with institutions.

Aluminium Industries

The year ended March 31, 1976 has been a year of decisive recovery for Aluminium Industries Ltd in many ways, not only profit-wise but also production-wise. The profit before providing for depreciation and interest charges amounted to Rs 243.38 lakhs, with the corresponding figure of the prior year being Rs 193.97 lakhs. The net profit of a little over Rs 100 lakhs after charging depreciation amounted to Rs 28.40 lakhs. From the profit, after making sundry adjustments and providing the first instalment of the Debenture Sinking Fund, it has been possible to recommend payment of preference dividend including the one due for the year under review totalling eight years.

Increased Sales

The distribution of the preference dividend involves a sum of Rs 61.39 lakhs and the board of directors have announced on equity dividend of eight per cent which absorbs Rs 21.59 lakhs. With the backlog of preference dividend so onerous, it was not possible for the board of directors to improve on the rate of equity dividend during the year. Such performance was possible mainly as a result of the company's increased sales during the year amounting to Rs 1884 lakhs compared to Rs 1130 lakhs in the previous year. Exports during the year totalled Rs 149 lakhs and will be improved further during the current year. This was disclosed by the chairman Mr S. Narayanaswamy while addressing the annual general meeting of the company.

Referring to exports the chairman said that the speedy and substantial changes that occur in international markets owing to currency fluctuations and erosion of our own competitive capacity as happened last year, through the sharp increase in domestic aluminium metal prices, that neutralised the price differential advantage we had in earlier years—are factors that a 10 per cent cash assistance cannot hope to compensate. While the government can do nothing about external monetary factors, it can at least exempt raw material and other inputs from sales-taxes and intermediate excises in so far as they relate to export goods and this should improve the Indian exporter's bargaining power abroad to some extent.

All the divisions of the company have fared extremely well during the year under review. There was a substantial improvement in the output and sale of bare conductors during the year which improved to 8620 MT from 5760 MT in the previous year. The conductor division contributed massively to the year's profitability.

The steel products division has started manufacturing special steel wire products such as armour wire, spring steel wire and umbrella rib wire. over and above its own captive requirements of ACSR core wire and the already established lines of production such as PC wire and earth wire.

Diversification

Since the close of the year, ALIND has received the government's approval for diversification of the production of the machinery division, which enables it to go into manufacture of coal handling and beneficiation equipment and specialised types of wire working machinery.

There was a substantial increase in the turnover of the switchgear division to Rs 226 lakhs from Rs 84 lakhs in the previous year. ALIND has reached an agreement with its collaborators Messrs Delle-Alsthom of France for manufacture of static relays. The government has approved the agreement with Delle in respect of higher ranges of switchgears namely 132 kV and 220 kV. This includes a licence for the manufacture of sulphur hexafluoride switchgear in the aforesaid range.

During the year ALIND received the award for being the largest exporter of electrical conductors from the Cable and Conductor Manufacturer's Association. The company has also received a merit certificate from the Engineering Export Promotion Council.

The company has concluded an agreement with a Delhi firm for setting up a steel wire plant in Punjab and the project is in the process of being implemented.

Herdillia Chemicals

Herdillia Chemicals Ltd has reported considerable improvements in its working results during the first half of the current year (January-June). Sales during the first half of 1976 amounted to Rs 9.31 crores as compared to Rs 7.51 crores in the same period of 1975 and Rs 14.79 crores for the whole of 1975. The profit before investment allowance and taxation for the six-month period was higher at Rs 1.52 crores as against Rs 0.96 crore for the similar period of last year. The gross profit for 1975 was of the order of Rs 1.68 crores.

Sales volume increased by approximately 25 per cent during the first half of the current year indicating improvement in demand and rundown of inventories compared to the corresponding period in 1975. Performance would have been somewhat better but for severe power restrictions and raw material shortages. The power supply situation is still not satisfactory even after commissioning of its own 730 KVA generator and the raw material supply position, which was critical in July 1976, is expected to improve in the months to come. The phthalic anhydride market has become particularly competitive with the commissioning this year of two new plants with an aggregate capacity of 1000 tonnes per month. Subject to any unforeseen circumstances, the directors are hopeful that profitability in the second half of the year will be comparable with that in the first half of the current year.

India Steamship

While addressing the annual general meeting of India Steamship Co Ltd, the chairman, Mr K. K. Birla has referred to several aspects of the policy governing the growth of the shipping industry in the country. The shipping industry, the chairman said, has welcomed the scheme of the investment allowance which has been introduced in the last Finance Act in respect of certain priority industries including shipping, replacing the existing scheme of initial depreciation.

The scheme of initial depreciation, which was introduced in lieu of development rebate, conferred only the benefit of deferred taxation to the shipowners and was in no way a substitute for development rebate. Hence the new concession which is on similar lines with development rebate will go a long way in mitigating the shipowners' problems of finding out resources for acquisition of ships. However, it must be stressed that shipping had always received a preferential treatment in the matter of development rebates (40 per cent as against 25 per cent to other industries), and hence Mr Birla said that the shipping industry has a strong case for enjoying the investment allowance at 40 per cent of the cost of the ships on the analogy of the earlier development rebate grant. It would also greatly assist the companies if they are allowed to write back the investment allowance to general reserves after the expiry of 10 years. Mr Birla has further emphasised that newer and smaller shipping companies and even some of the larger ones with heavy repayment liabilities might find it almost impossible to comply with the qualifying conditions that the reserves must be utilised within 10 years for the purchase of additional tonnage. The carry-forward period of eight years, the chairman stressed should commence from the year in which the benefit is availed of. It would otherwise, be difficult for some of the companies to avail of the benefit because of the present depressed conditions of the freight market and the heavy backlog of unabsorbed development rebate on past acquisitions. Such a rearrangement in the scheme of investment allowance, the chairman said, would greatly assist the growth of the shipping companies since they are otherwise likely to lose the benefits on account of their inadequate current earnings.

Inadequate Finances

The other problems haunting the shipping industry at the moment, are in respect of securing adequate funds for financing their expansion programme and the securities to be provided on such finance. Indian Shipyards do not extend deferred credits, but SDFC loans on more or less liberal terms are available for ships to be built in the country. However, the difficulties in providing security for obtaining such loans, remain to be resolved. Besides, SDFC does not provide loans in foreign exchange for new building from abroad or for purchasing second-hand tonnage, which is going relatively cheaper at the moment. The shipping companies are therefore required to make these arrangements on their own, at not too liberal terms and conditions, and it is in this context Mr Birla has urged for a fresh look into the existing arrangements.

The condition of providing adequate security for obtaining SDFC/Foreign Exchange Loan had rendered the expansion of tonnage difficult in the past. In this context, the chairman has welcomed the relaxation of the security requirements for SDFC loans from 103⅓ per cent to 120 per cent. Although the government had also agreed, in principle, to the acceptance of 75 per cent of the value of the work-in-progress as security for the loans in respect of ships under construction in India, it had not been implemented so far.

This provision according to the chairman, should be given immediate effect as otherwise replacement and expansion of shipping tonnage, which is highly capital intensive, would become more and more difficult even for the bigger companies. It is also strongly felt that the ship itself should normally be considered as adequate security without requiring any additional assets to be offered by the loanees for the purpose.

Bengal Chemical

Bengal Chemical and Pharmaceutical Works Ltd is passing through a crucial transitory period for its recovery from a downward trend up to 1971-72. The IRCI stepped in to reconstruct this organisation The company made substantial progress in sales turnover from Rs 2.77 crores in 1971-72 to Rs 5.75 crores in 1975-76. During the year 1974-75, the company could break-even after years of losses, but thereafter, there has been a severe set-back during 1975-76. The company had to encounter problems arising out of recession in the market, consumers' resistance and certain other related factors, during the financial year.

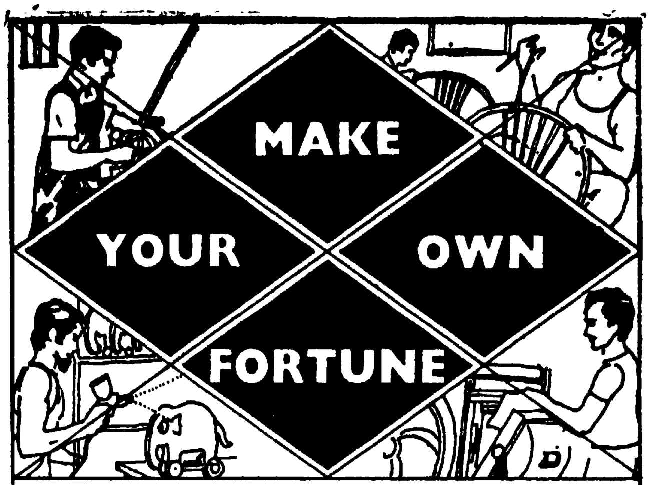
Sustained Growth

In spite of the odds faced by the company, the pharmaceuticals division has registered a sustained growth during the year 1975-76. This growth could have been much higher if there was no serious set-back for about six months due to the agitation by a section of its medical service representatives. The recent emphasis on scientific promotion of selected drugs to medical profession has started yielding results at long last. The outlook of the future is encouraging because of the planned change of product-mix which is vital for the future of the company. Bengal Chemical, which is pioneer for manufacturing basic drugs has made a bold attempt to increase the production of these items manifold.

The progress of the installation of the third battery of 30 TPD alum plant at Panihati is broadly on schedule and production is expected from early 1977. The company has since undertaken the project for manufacture of basic chrome-salt (6 TPD) at Panihati which will be ultimately an integral part of our sodium dichromate project. The basic chrome salt has ready market in leather industries in eastern zone and hence the company has given due priority to this programme. Production is expected in early 1977.

Agreement with WBIDC has since been entered into for the preparation of feasibility study and project report on synthetic detergents by M/s Chemicals & Metallurgical Design Co Pvt Ltd, New Delhi. The company has received a letter of intent for the manufacture of salicylic acid. The project report in respect of this product has been prepared. Production of oleum (20 per cent) has been started and that of oleum (60 per cent) will be undertaken to meet the increased demand in eastern India.

The company has taken up



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sidy (Rs 10 lakhs), unsecured loans from promoters (Rs 5 lakhs) and deferred credit for land from KIADB (Rs 1 lakh). The project cost includes the capital cost of centralised heavy sheet metal press shop of Rs 1 crore.

The company has also entered into a technical collaboration agreement with Scooters India Limited for manufacturing 50cc scooterettes with an installed capacity of 30,000 scooterettes per annum.

Sale Prospects

The company does not anticipate any difficulty in selling its entire production, which at full capacity will represent just about seven per cent of the anticipated annual demand by 1980.

The company will be eligible for the relief of 25 per cent duty payable on the clearances from its factory during the three years ending March 1979 in excess of the 'base clearance.' The company's plant having started production in September 1976, its base clearance will be nil. Hence it will be eligible for this relief on all despatches made up to 31st March 1979. The quantum of benefits to the company under this scheme for this period will work out to approximately Rs 31.5 lakhs on the production till the end of March 1979 which is estimated at 35,000 scooters.

Melcast India

Melcast India Limited is setting up a new plant for manufacture of Spheroidal Graphite Iron Castings. S.G. Iron Castings because of its superior strength and ductility are replacing the conventional grey iron castings and a number of components which hitherto used to be of non-ferrous, steel castings, steel forging, malleable iron castings in steel plants, railways, automobile industry, scooter industry, machine tools industry and other important engineering industries. Though the per unit cost of S.G. Iron Castings are higher, the cost per component is lower in view of its longer life. In view of the increasing demand the government has categorised this industry as a priority industry allowing certain benefits such as investment allowance at 25 per cent of the capital cost.

The company has entered into an agreement with Tor Steel Research Foundation in India for using T-Nock process for manufacturing S.G. Iron Castings. This process has been patented by Tor-Isteg Steel Corporation of Luxembourg. By this agreement the company will be entitled to have the future developments of the process too.

Indigenous Equipment

All the equipments needed for the project are indigenously available and orders have been placed for the major equipments, and civil works are already in progress. It is hoped that the production would commence by end of March, 1977. Initially the project will have an installed capacity of 2000 tonnes per annum.

The plant is located at Durgapur, a notified backward area and hence will be eligible for backward area benefits. Since the plant will be located in the industrial area of Durgapur, the company will have certain intrinsic advantages such as availability of raw materials, skilled labour and easy marketing of the finished products. Power and water supply has already been assured by Durgapur Projects Limited.

The total project cost is estimated at Rs 74.12 lakhs. It is being met by the equity share capital of Rs 31.00 lakhs and balance by way of term loan/debentures and deferred payment on land. The company will be shortly entering the capital market with a public offer of 1,86,000 equity shares of Rs 10 each. The public issue has been underwritten by the financial institutions and banks

Rajasthan Financial Corporation

The Rajasthan Financial Corporation has recently sanctioned Rs 69.36 lakhs to 16 industrial units in the state. These units will generate employment for about 450 technically qualified and other persons. Six industrial units will be set up in industrially backward districts of the state viz. one each in Alwar, Sikar, Nagaur, Jhunjhunu, Udaipur and Tonk districts and the remaining 10 units will be set up one each in Bikaner, Sriganganagar and Bundi, two in Kota and five units in Jaipur districts.

Cylinder Manufacture

One of these RFC-assisted units will be the first one in the state which will manufacture LPG cylinders at Alwar, an industrially backward district, and the other unit which is being set up at Jhunjhunu will export guar gum to hard currency areas. Two industrial units which will manufacture agricultural implements, etc are being set up by young unemployed technocrats to whom the Rajasthan Financial Corporation has given loan on no margin basis. The other units will manufacture carpet woollen yarn, distribution transformers, surgical cotton, hydrated lime, pulverisors, jaw crushers, bone-ash, cosmetic goods, compensating cables, coating copper tubes, multicore PVC and polythene tubings, hand-made paper etc.

News and Notes

The **Associated Cement Companies Ltd** has secured in Afghanistan its first major contract abroad for prospecting and proving of limestone deposits. Against stiff foreign competition the two hundred thousand dollar ($200,000) contract was awarded to ACC by Messrs Fuller Company of USA, internationally renowned manufacturers of cement machinery. A team of geologists, chemists, surveyors, foremen and operators have been deputed by ACC for this survey and the advance party has already left. Prospecting machinery is being air-freighted to Kabul.

New Issues

With a view to increasing Indian participation in the share capital of **ITC Ltd** from 40 per cent to about 60.5 per cent, the three major overseas shareholders of the company, i.e. Tobacco Manufacturers (India) Ltd, Tobacco Investments Ltd and Rothmans International Ltd., are disinvesting a part of their respective holdings proportionately in the capital of ITC Ltd aggregating to 38,00,000 ordinary shares of Rs 10 each (fully paid-up). Out of the 38,00,000 ordinary shares offered for sale, 12,70,000 shares have been reserved for allocation to financial institutions and private placement with the General Insurance Corporation of India at Rs 10.50 per share. Besides 15,20,000 shares have been reserved for rights issue to the Indian resident shareholders of the company whose names appeared on the company's register of members at the close of business on November 12, 1976, in the

1975-76 a wide range of products were exported including cigarettes, garments, engineering goods, hand tools, etc, through its general exports division.

During 1975-76, the company's export earnings reached Rs 31.54 crores. The company is one of the largest exporters in the country and is a recognised eligible export house.

The company has also promoted in association with the Andhra Pradesh government Bhadrachalam Paper Boards Ltd, which is setting up a paper and board mill at Bhadrachalam —a backward area of Andhra Pradesh. The company's investment in the equity shares of Bhadrachalam Paper Boards Ltd is expected to be of the order of Rs 3 crores.

The company paid an equity dividend of 15 per cent for 1975-76. The directors are of the opinion that the company's turnover will continue to increase and it will make sufficient profits to pay reasonable dividends in the coming years, as even after the above issue, the paid-up capital is being maintained at Rs 18.95 crores. With the foreign share in the equity of the company being reduced to slightly less than 40 per cent, the company has now the freedom to advance and expand faster.

Capital and Bonus Issues

Lathia Rubber Manufacturing Co Pvt Ltd, Bombay, has been accorded consent, valid for six months, to capitalise Rs 5 lakhs out of its general reserve and issue fully paid equity shares of Rs 1,000 each as bonus shares in the ratio of one bonus share for each equity share held.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for Current year	Previous year
Higher Dividend			
Shree Synthetics	June 30, 1976	12.5	Nil
Sri Krishnarajendra Mills	March 31, 1976	8.0	2 0
Hindoostan Spg. & Wvg. Mills	March 31, 1976	8.0	Nil
Cowcoody Estates	June 30, 1976	20.0	12.0
Same Dividend			
Dawn Mills	June 30, 1976	12.0	12 0
Rajagiri Rubber	June 30, 1976	9.0	9.0
India Forge and Drop Stampings	June 30, 1976	Nil	Nil
K.C.P.	June 30, 1976	14.0	14.0
Reduced Dividend			
Supreme Industries	June 30, 1976	15.0	16.0£

£Relates to 15 months.

Licences and Letters of Intent

THE FOLLOWING licences and letters of intent were issued under the Industrial (Development and Regulation) Act 1951 during the month of October 1976. The list contains the names and addresses of the licensees, articles of manufacture, types of licences—New Undertakings (NU), New Articles (NA), Substantial Expansion (SE), Carry on Business (COB), Shifting—and Annual Installed Capacity. Details regarding licences and letters of intent revoked, cancelled or surrendered are also given.

Licences Issued

Metallurgical Industries

M/s Anand Steels & Wires (P) Ltd, 13/6 Mathura Road, Faridabad—(Faridabad—Haryana)—Wire Netting—22 M.T.—(COB)

M/s Special Steels Ltd, Mouje Magathano, Dattaparra Road, Boriveli (East), Bombay-400 066—(Thana—Maharashtra)—Stranded Wires 9600 tonnes—(COB)

Metallurgical Industries (Ferrous)

M/s Everest Forging Company Ltd, Plot No. 746, Near Chintamani Super Market, Anna Nagar P.O., Madras-600040—(Ranipet, Distt North Arcot—Tamil Nadu)—Closed die forging/alloy steel forgings—6,000 tonnes—(NU)

M/s Bombay Forgings Pvt Ltd, Wavell House, Graham Road, Bombay-400038—(Maharashtra)—Closed Die Forgings including Stainless Steel—4,000 tonnes. Closed Die Forgings (By Pour Forge Method)—6,000 tonnes. (Total capacity after expansion—16,000 tonnes)—(SE)

M/s Forshas Forgings Pvt Ltd, 207, Sant Tukaram Road, Iron Market, Garnac Bunder, Bombay-400009—(Ankleshwar, Distt Bharuch—Gujarat)—Unmachined Steel Forgings—3,000 tonnes—(NU)

M/s The Navsari Processing Industry Pvt Ltd, Near Rly. Station, Maroli (W. Rly.), Distt. Bulsar, Gujarat—(Maroli, Distt Bulsar—Gujarat)—MS Black wire—1,100 tonnes—(COB)

Electrical Equipments

M/s NGEF Ltd, Old Madras Road, Byappanahalli, Bangalore-560038 — (Bangalore — Karnataka) — Synchronous machines upto 600 KVA compound Regulators—500 Nos. DC Machines for industrial applications inclusive of Steel mill motors and roller table motors upto 250 KW—2000 Nos—(NA)

M/s Indo American Electricals Ltd, D-146, Defence Colony, New Delhi-110003—(Durgapur—West Bengal)—Super Enamelled Winding Wires of thinner gauges 42 SWG & above—100 tonnes—(NA)

M/s Ramtronics (India) Pvt Ltd, 2820 M, Guru Nanak Auto Market, Kashmere Gate, Delhi-110006—(Ghaziabad—U.P.)—Silicon Transistors—2 Million Nos. Silicon Diodes—0.8 Million Nos Integrated Circuits—0.2 Million Nos—(NU)

Industrial Machinery

M/s Atlas Copco (India) Ltd, Mahatma Gandhi Memorial Building, Netaji Subhas Road, Bombay-400002—(Poona—Maharashtra)—(A) Aqua Rigs: Hammer—160 Nos, Rotation Unit 80 Nos,—Carrier—80 Nos, Feed Beam—80 Nos, Drill Tubes—1600 Nos, Winch—80 Nos. (B) Mechanised Drilling quipment : Wagon—50 Nos, Carrier—30 Nos, Screw Feed -100 Nos, Drilling Rigs—30 Nos, Drifter—180 Nos, Hydro-eam--80 Nos, Grinder—150 Nos, Feed Beam —50 Nos, Rotation Jnits--30 Nos, Drill Tubes—150 Nos—(NA)

M/s Texwell Pvt Ltd, 23-A Netaji Subhas Road, (8th Floor), alcutta-700001—(Calcutta—West Bengal)—Bottom Roller for $\frac{1}{2}''$ and $4\frac{1}{4}''$ spg. frames—414 Pcs, Hanger Assembly for $5\frac{1}{2}''$ itch Spg. frame—270 sets, Top Conductor for $5\frac{1}{2}''$ & $4\frac{1}{4}''$ Spg. rames—52,200 Pcs, Top Pressing Roller Assembly for $5\frac{1}{4}''$ pitch pg. frames—270 sets, Automatic Stop Motion Assembly for $5\frac{1}{2}''$ itch spg. frames—270 sets, Idler 'V' Roller Assembly for $4\frac{1}{4}''$ pg. frames—7,200 Pcs, Silver Stop Motion link & Detector for $\frac{1}{4}''$ pitch spg. frames—45,000 Pcs, Idler Roller Assembly for $5\frac{1}{4}''$ itch spg. —30,000 Pcs, Top Pressing Boss Assembly for $4\frac{1}{4}''$ spg. rames—30,000 Pcs, Detector Link & Guides for $4\frac{1}{4}''$ pitch spg.—0,000 Pcs, Breast Plate RH & LH, for $4\frac{1}{4}''$ pitch spg.—45,000 cs, Intermediate Conductor—45,000 Pcs, Assembly for Bottom onductors support plates and studs for $4\frac{1}{4}''$ pitch spg. frames—0,000 Pcs, Hanger for $4\frac{1}{4}''$ spg.—45,000 Pcs, Hanger Handles or $4\frac{1}{4}''$ spg.—45,000 Pcs, Wharve Assemblies for $4\frac{1}{4}''$ & $5\frac{1}{2}''$: $\frac{1}{2}''$—2400 Pcs, $4\frac{1}{4}''$—24,000 Pcs, Carriage Plate Assembly—180 ets, Pinning Bar Support Bkt.—2,418 Pcs, Back Roller Block omplete with caps, half bushes and Pins—1142 Pcs, Front eliver Spout—3,500 Pcs, Back Delivery Spout—3,500 Pcs, Silver raps—3,500 Pcs, Delivery Conductor Chutes—4,000 Pcs, Auto-natic Front Conductor—7,250 Pcs, Faller Bars—30,360 Pcs, ront Revolving Rubber complete—360 Pcs, Delivery Pressing oller Housing—900 sets, Coiler Reversing motion—900 sets, igh density Can Packers—1,080 sets, Silver Plates—900 sets, etector & Link Units for Auto Silver Stop Motion—49,744 cs, Dead Spindles for $4\frac{1}{4}''$ pitch spg. frames—32,000 Pcs, Dead pindles for $5\frac{1}{2}''$ Spg. frames—6,000 Pcs, Dead Spindles for pron draft spg. frames—3,000 Pcs, Top Roller for $4\frac{1}{4}''$ pitch pg. frames—120 sets, Mid Draft Rollers for $4\frac{1}{4}''$ spg. frames—20 sets, Spindle Driving Cylinders—120 Pcs, Faller Slides—,676 Pcs, Faller Driving Screws—7,590 Pcs, Screw Cams—1,675 Pcs, Screw Pinions—10,842 Pcs, Delivery Roller Bosses—,600 Pcs, Delivery Pressing Roller Bosses—3,600 Pcs, Faller rack for Mackhigh 1st drg.-frame—90 sets—(NA)

Industrial Machinery (other items of Industrial Machinery)

M/s Walchandnagar Industries Ltd, P.O. Walchandnagar, istt Poona—(Walchandnagar, Distt Poona—Maharashtra)—ndustrial Gears—From 16 sets approx 2560 tonnes in weight to 160 tonnes (after expansion)—(SE)

Agricultural Machinery

M/s Gupta Iron & Brass Works Ltd, 29, Najafgarh Road, ew Delhi-15—(Delhi)—Agricultural Implements—2250 tonnes—(COB)

M/s Basant Udyog, 29-A, Sir Hariram Goenka Street, alcutta-7—(Distt Hooghly—W.B.)—Agricultural Implements iz. Ghamellas, Parhalas, Shovals, Kodali etc—2000 tonnes (Pre-isional)—(COB)

M/s Banwarilal Purshotamdass, 29, Banstolla Street, alcutta-7—(Faridabad—Haryana)—Agricultural Implements, iz. Ghamellas, Ridgings, Shovels, Kodalis etc—450 tonnes—COB)

M/s Northern India Iron Press Works, Industrial Area, Aishbagh, Lucknow—(Lucknow—U.P.)—Agricultural Implements, viz. Persian wheel buckets & wheels channels, Thrashers & discs, Pharowah, Belcha, Ghamella, Plough Blades etc—380 tonnes—(COB)

M/s Gobindo Sheet Metal Works & Foundry, 210 Mahatama Gandhi Road, Calcutta-7—(Calcutta-West Bengal)—Agricultural Implements, viz. Kodali, Pick Axe, Spade, Ghamellas, Watering Cans etc—920 tonnes—(COB)

Miscellaneous Mechanical and Engineering Industries

M/s Finolex Plastics (P) Ltd, 26/3, Bombay Poona Road, Pimpri, Poona-411018—(Poona—Maharashtra—PVC Films—51 tonnes. PVC Fittings—2 tonnes—(COB)

M/s Diamond Dies Mfg. Corpn. Ltd, 228, 1st Floor, Chickpet, Bangalore-560053—(Mysore—Karnataka)—Wire Drawing Diamond Dies—From 5000 Nos (existing) to 20,000 Nos (after expansion)—(SE)

Industrial Instruments

M/s Power Build Pvt Ltd, Post Box No 28, Vallabh Vidyanagar (388/20) Gujarat—(Vallabh Vidyanagar—Gujarat)—Automatic Weighing and Bag filling units—100 units—(NU)

Chemicals (other than Fertilizers)

M/s Hindustan Lever Ltd, Hindustan Lever House, Backbay Reclamation, Bombay-1 BR—(Haldia, Distt Midnapore—West Bengal)—Sodium Tripolyphosphate—30,000 tonnes. Sulphuric Acid—54,000 tonnes (for captive use only in the manufacture of STPP). Phosphoric Acid—19,500 tonnes (for captive use only in the manufacture of STPP)—(NU)

M/s Bihar Air Products Ltd, Avtar Bldg, Bistupur, Jamshedpur-881001—(Jamshedpur—Bihar)—Oxygen Gas—1.008 MCM Dissolved Acetylene Gas—0.36 MCM—(NU)

M/s Atul Products Ltd, Atul, W. Rly., Distt Bulsar—(Atul, Distt Bulsar—Gujarat)—Caustic Soda—From 8,400 tonnes (existing) to 18,900 tonnes (after expansion), Liquid Chlorine (bye product)—From 7,425 tonnes to 12,925 tonnes. Hydrochloric Acid (32%)—From 11,400 tonnes to 11,400 tonnes—(SE)

M/s Southern Industrial Polymers (Pvt) Ltd, 50, 1st Main Road, Raja Annamalipuram, Madras-600028—(Ranipet, Distt North Arcot—Tamil Nadu)—Di-Glycidal Ethers of Bis-Phenol and Resins thereof—300 tonnes—(NU)

M/s Phosphorus and Chemicals Travancore Ltd, Saraf House, 45/137, 2nd Main Road, Willindon Island, Cochin-682003—(Alleppey District—Kerala)—White Phosphorous—2,500 tonnes—(NU)

M/s Baroda Oxygen Ltd, C/o Karjan Surgical Cotton & Dressings Pvt Ltd, 6-D, Ambalal Doshi Marg (Hamam St.), Raja Bahadur Compound, Fort, Bombay-400023—(Ankleshwar—Gujarat)—Oxygen Gas—1.00 MCM Dissolved Acetylene Gas—0.20 MCM—(NU)

M/s Albright Morarji and Pandit Ltd, Raj Mahal, 3rd Floor, 84, Veer Nariman Road, Bombay-20—(Tehsil Roha, Distt Kolaba—Maharashtra)—Sulphuric Acid—45,000 tonnes for captive use—(NA)

M/s Greaves Foseco Ltd, Jolly Bhavan No. 2, New Marine

Lines, Bombay-400020—(Calcutta—West Bengal)—Foundry Fluxes—500 tonnes. Foundry Chemicals—4500 tonnes—(COB)

Drugs & Pharmaceuticals

M/s Cadila Laboratories, Maninagar, Ahmedabad-380008—(Ahmedabad—Gujarat)—Tablets—986 lakhs Nos. Liquids—317.20 thousand Litres. Capsules—135.28 lakhs Nos. Granules & Dry Syrup—17075 Kgs. Ointments—4960 Kgs. Injections—22.25 thousand litres—(COB)

M/s Sterling Drugs (India) Pvt Ltd, Post Box No. 65, Panjim Goa—(Goa)—Levophed—8 Kgs. Phenylephrine—50 Kgs. Glycobiarsol—2.5 tonnes. Sodium Polyhydroxy Aluminium Monocarbonate Hexatol complex—20 tonnes. Naldixic acid—2.5 tonnes—(NU)

M/s Suneeta Laboratories Pvt Ltd, 502, Arun Chambers, J. Dadajee Road, Bombay-400034—(Indore—M.P.)—Chloroquine Di-Phosphate—54 M.T. (after expansion). Paracetamol—48 M.T. Chloroquine Sulphate—12 M.T.—(SE/NA)

M/s Raptakos, Brett & Co Ltd, 47, Dr Annie Besant Road, Worli, Bombay-400025—(Maharashtra)—Nitrofurantoin (Crystalline)—2 tonnes. Metronidazole—2 tonnes. Phenyl Butazone—10 tonnes—(NA)

Textiles

M/s H.P. Industries, (Prop M/s Tin Containers & Printers (P) Ltd), 3711/14, Netaji Subhash Marg, Daryaganj, Delhi-6—(Rewari—Haryana)—Shoddy Yarn—600 spindles—(NU)

M/s Modi Spg. and Weaving Mills Co Ltd, Modinagar—(Modinagar—UP)—Cotton Terry Towels—150 Terry Towel looms—(SE)

M/s The Arvind Mills Ltd, Railwaypura Post, Naroda Road, Ahmedabad-2—(Ahmedabad—Gujarat)—Cotton Yarn—2314 spindles (existing) & 96,274 spindles (after expansion) (SE)

M/s Coronation Spinning India, Dadri, Distt Bulandshahar (UP)—(Dadri Distt Bulandshahar UP)—Shoddy Yarn—600 spindles—(NU)

M/s Bhiwani Textile Mills, PO Birla Colony, Bhiwani (Haryana)—(Bhiwani—Haryana)—Cotton Yarn—25,000 spindles (after expansion) (SE)

M/s Shree Synthetics Ltd, Naulakhi, Maksi Road, Distt Ujjain (MP) (Distt Ujjain MP)—From 1080 (including 360 tonnes) per annum of Polyester Filament Yarn within the overall capacity of 1080 tonnes of Nylon Filament Yarn to 2100 tonnes (including 360 tones) per annum of Polyester Filament Yarn—(SE)

M/s Shree Digvijaya Woollen Mills Ltd, Aerodrome Road, Jamnagar-3. (Gujarat)—(Jamnagar—Gujarat)—Wool Tops (Combed wool)—1.0 million lbs—(NA)

M/s Mukerian Papers Ltd, S.C.O. 54, 55, 56, Sector 17-A, Post Box No. 81, Chandigarh-160017—(Distt Hoshiarpur—Punjab)—MF & MG Varieties of Papers, i.e. Printing, Writing, Packing and Wrapping Paper—9,000 tonnes—(NU)

M/s Sehgal Papers Ltd, B-4/4, Safdarjang Enclave, New Delhi—(Tehsil Rewari, Distt Mohendragarh—Haryana) Printing and Writing Paper—9,000 tonnes—(NU)

M/s Reliance International Corpn Pvt Ltd, 4/2-B, Asaf Ali Road, New Delhi-110001—(Rewari—Haryana)—Paper and Paper Boards—10,000 tonnes—(NU)

M/s Caprihans (India) Ltd, Block 'D' Shivsagar Estate, Dr Annie Besant Road, Worli, Bombay—(Maharashtra)—Base Paper for surface coating—Absorbent Kraft for Decorative Laminates etc—(NA)

Sugar

M/s Maroli Vibhag Khand Udyog Sahakari Mandli Ltd, Maroli, Distt Bulsar (Gujarat)—(Maroli, Distt Bulsar—Gujarat)—Sugar—1,250 tonnes of cane crushing capacity per day—(NU)

Vegetable Oils & Vanaspati

M/s Hyderabad Vanaspati Ltd, 5-9-270, John's Lane, Gun Foundry, Hyderabad-500001 (AP)—(Hyderabad—AP)—Cottonseed Oil and minor seed oil in terms of cotton seed/minor oil seed—40,000 tonnes—(NA)

Rubber Goods

M/s Andrew Yule & Co Ltd, Yule House, 8, Clive Road, Calcutta-700001—(Kalyani, Distt Nadia, West Bengal)—Conveyor Belting—1,900 tonnes. Fan and V. Belts—12 Lakh Nos—(NU)

M/s Dunlop India Ltd, Dunlop House, 57, Mirza (Ghalib Stt, Calcutta-700016—(Sahaganj, Hoogly—West Bengal)—Large Solid tyres and rubberising of wheels, bogie wheels and rollers—From 12,000 Nos. (existing) to 25,500 Nos. (after expansion)—(SE)

Letters of Intent

Metallurgical Industries (Ferrous)

M/s Visvasvaraya Iron & Steel Ltd, Bhadravati (Karnataka)—(Bhadravati—Karnataka)—Ferro Titanium—100 tonnes. Ferro Boron—20 tonnes. (within the overall licensed capacity granted under industrial licence No L/I-A (2)/N-1/58 dated 25.2.1958—(NA)

Electrical Equipment

M/s Director, Government Electric Factory, Mysore Road, Bangalore-560026 (Bangalore—Karnataka)—HV Instrument Transformers (72 KV to 420 KV)—600 Nos—(NA)

M/s The National Radio & Electronics Co Ltd, Mahakali Road, Chakala, Andheri (East), Bombay-400093 (Bombay—Maharashtra)—Alphanumeric Display Terminals—90 nos Graphic Display—10 Nos—(NA)

M/s Wandleside National Conductors Ltd, Industrial Estate, Lal Baug, Bombay-400012—(Poona—Maharashtra)—Teflon Wires—2,500 Kms—(NA)

Industrial Machinery

Shri Arvind Kumar Goyal, 38, Strotten Muthiah Mudali Street, Madras-1—(Madras—Tamil Nadu)—Roller Flour Mill Machinery including roller mill, plansifter, purifier, complete cleaning section, transporting and transmission section etc—6 plants of 100 M. tonnes each—(NU)

Industrial Machinery (Major items of specialised equipment used in specific industries)

M/s Raj Mechanical Industries, 410, Industrial Area 'A'

Ludhiana-141003 (Punjab)—(Ludhiana -Punjab)—Fine and Superfine Gauge Jacquard Machine —32 Nos - (NU)

Industrial Machinery (General items of machinery used in several industries)

M/s K.S.B. Pumps Ltd, Bombay-Poona Road Pimpri, Poona-411 018—(Haveli, Distt Poona—Maharashtra)—Primary coolant pumps, Moderator Pump, Primary system feed pump, Secondary System feed pump, Booster pump, Standby coolant pump, Main Boiler Feed pump, Emergency Boiler Feed Pump, Main condensate Extraction pump —50 nos within the existing Capacity of 75000 nos of pump— (SE)

Misc. Mechanical & Engg. Industries

M/s Dagger Forst Tools Ltd, First Pokhran Road, Thana-400606 (Maharashtra)- (Aurangabad - Maharashtra)—In Tungsten Carbide Drills Centre drills and reamers all in size 0.2 mm dia to 1 mm dia —7,00,000 Nos. in high speed steel-drills centre drills and reamers of 0.2 mm dia to 1 mm dia —1,00,000 Nos—(NA)

Chemicals (other than Fertilizers)

M/s Newera Plasteel (Pvt) Ltd, H.N. 2175, Sector 22-C, Chandigarh (Kharar, Distt Ropar Punjab)—Steel Reinforced PVC Products required for manufacturing doors, shop fronts, partitions etc —500 tonnes of PVC (NU)

M/s Atul Drug House Ltd Baldota Bhavan, 6th Floor, 117, Maharshi Karve Marg, Opp. Churchgate Station, Bombay-400020 - (Aurangabad/Ratnagiri — Maharashtra) Fatty Alcohols— 2,000 tonnes— (NA)

M/s Coromandal Fertilizers Ltd, 126, Sarojini Devi Rd, Secunderabad-500003 (AP)— (Visakhapatnam- AP) Argon Gas from purge gases of existing Ammonia Plant- 1 million cubic meters - (NA)

Drugs and Pharmaceuticals

M/s Goenka & Co, 55, Canning Street, B Block, 3rd Floor, Calcutta-700001—(Udaipur- Rajasthan) Vitamin 'C' and its salts 165 tonnes - (NU)

M/s Smith Stanistreet & Co Ltd, 18, Convent Road, Calcutta— 700014—(Calcutta— West Bengal)— Chloroquin 250 mg.—40.0 M. Nos Methyl Dopa B.P.—U.S.P. 250 mg 10.0 M. Nos Frusemide B.P. 40 mg. — 12.0 M. Nos. Cobastan-6 (B1, B6, B12) & Niacinamide) 10.0 M. Nos. Cobastan-6 Forte (B1, B6, B12)—10.0 M Nos. Capsules: Indomethacin B.P. 25 mg. - 10.0 M. Nos—(NA)

Change in the Names of Owners or Undertakings

(Information pertians to particular licences only)

From M/s Tamil Nadu Industrial Development Corporation Ltd to M/s Tamil Nadu Cements Corporation Ltd

From M/s J.M.A. Industries Private Limited to M/s J.M A. Industries Limited

From M/s Cocoa Products and Beverages Pvt Ltd, Madras to M/s Cocoa Products and Beverages Ltd, Madras

From M/s Anchor Pressing Pvt Ltd, Aligarh (UP) to M/s Tiger Hardware & Tools Ltd, Aligarh (UP)

From M/s Lakshmi Ring Travellers (Coimbatore) Pvt Ltd to M/s Lakshmi Ring Travellers (Coimbatore) Ltd

From M/s Partap Gases and Chemicals Private Ltd to M/s Partap Gases and Chemicals Ltd

From M/s Textile Machinery Corporation Limited, Calcutta to M/s Texmaco Limited

From Shri B.K. Gupta, 802, Joshi Road, New Delhi-110005 to M/s Instant Batteries Ltd

From M/s E.I.D. Parry Limited to M/s E.I.D. Parry (India) Limited

Licences Revoked, lapsed, etc.

(Information pertians to particular licences only)

M/s Excel Industries Ltd 184-17, Swami Vivekananda Road, Jogeshwari, Bombay-400060—300 T.P.A. of Ziram and 300 T.P.A. of Ferbam (Pesticides)— (Cancelled)

M/s Bombay Forgings Pvt Ltd, Wavell House, Graham Road, Bombay-400 038—Propeller Shafts, Universal Joint Cross Assembly & Rear Axle Shafts—(Cancelled)

M/s Consolidated Pneumatic Tool Co (India) Ltd, 301-302, Lal Bahadur Shastri Marg, Mulund, Bombay-400 080 - Industrial and Railway Jacks—(Cancelled)

M/s Telesound India Ltd, New Delhi-49 Radio Receivers —(Cancelled)

M/s Lite Metal Industries, P.B. No. 52, Visakhapatnam-1— (AP— South India)- Tin Containers— (Cancelled)

M/s Luna Tube Pvt Ltd, 1830, Near Zakaria Masjid, Relief Road, Ahmedabad-380 001 —Steel Pipes and Tubes—(Cancelled)

M/s Teleseund India Ltd, G-4, N.D.S.E-I, New Delhi-49— Carbon Composition Resistors and Ceramic Capacitors

M/s Transport Corporation of India Ltd, P-4, New C.I.T. Road, Calcutta-12 —Pulp—(Revoked)

M/s Harbans Lal Malhotra & Sons (P) Ltd, 226/2, Acharya Jagdish Chandra Bose Road, Calcutta-20— Finished Cutting Knives (Machine worked) (Revoked)

M/s Precision Fasteners Limited, New India Centre, 17, Cooperage Road, Bombay-400039 High Tensile Self-Locking Nuts—(Cancelled)

Letters of Intent Lapsed, Surrendered etc.

(Information pertains to particular letters of intent only)

Shri B.N. Bhaskar, P.O. Ishwar Nagar, New Delhi— Ceramic Machinery- -(Cancelled)

M/s The Indo-Burma Petroleum Co Ltd, Hindustan Times House, 18-20, Kasturba Gandhi Marg, New Delhi—Synthetic Detergents—(Cancelled)

M/s U.P. Scooters Ltd, 79/10, Latouche Road, Kanpur— Three-Wheeler Scooters —(Lapsed)

Shri P. Sharan Gupta, M/s Auto Lamps Ltd, P.B. No. 1741, 6-Alipur Road, New Delhi — Halogen Lamps—(Lapsed)

M/s Shah Oxygen, 64, New Bardan Lane, Bombay-400 003 —Industrial Gases—(Lapsed)

M/sVaishali Papers Ltd, A1/162, Safdarjang Enclave, New Delhi— Paper—(Lapsed)

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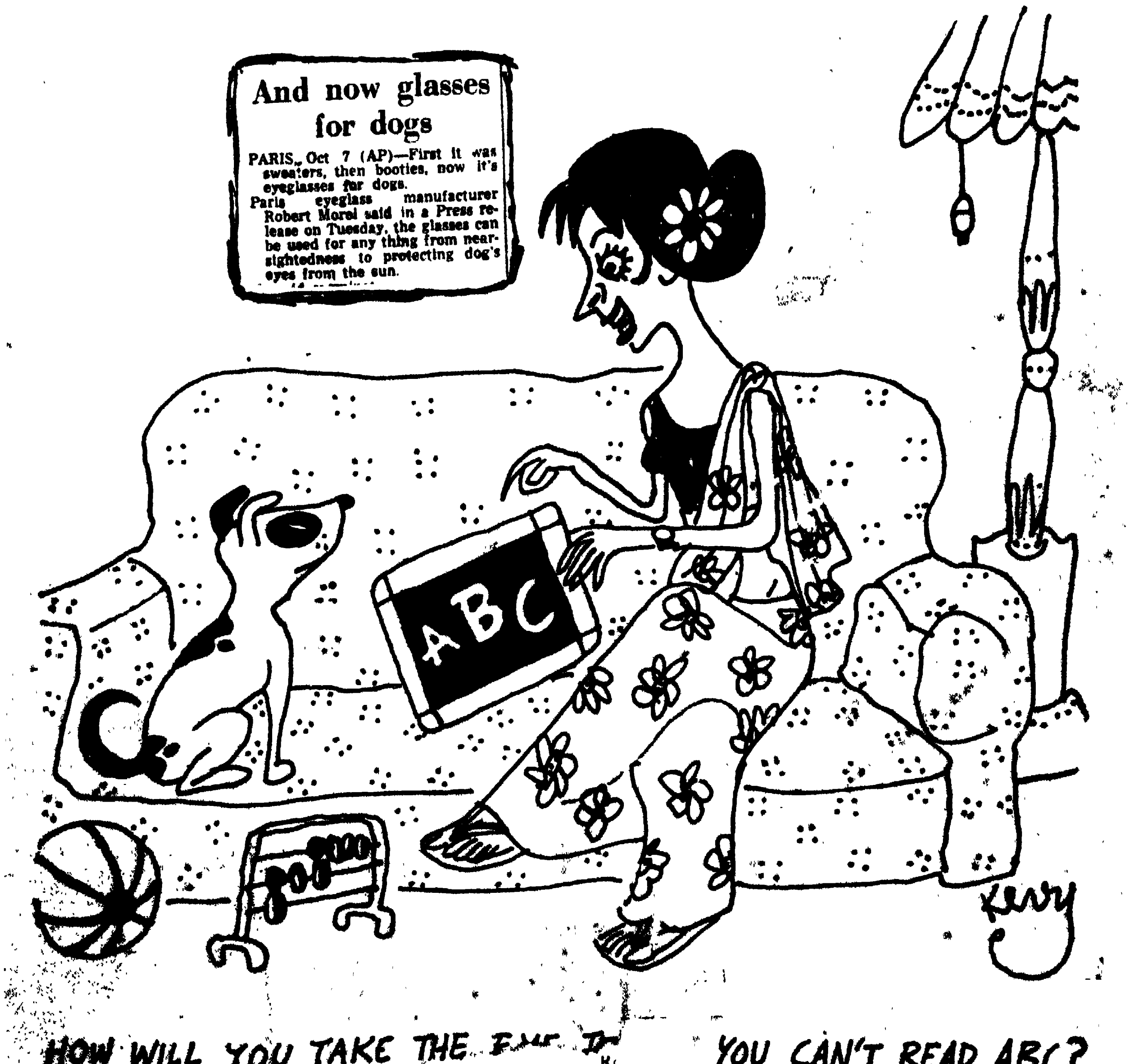

And now glasses for dogs

PARIS, Oct 7 (AP)—First it was sweaters, then booties, now it's eyeglasses for dogs.

Paris eyeglass manufacturer Robert Morel said in a Press release on Tuesday, the glasses can be used for any thing from near-sightedness to protecting dog's eyes from the sun.

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Leading Articles

Sudamdih and its Sorrow 759
HIL Makes Heartening Progress 760
Banking Commission's Questionnaire 761
Fifth Plan and its Finances 763
Capital's Corridors 765

Point of View

Economies of Scale in Tubewell Irrigation —B.D. Dhawan 767
Edible Oils : Performance and Prospects —Badar Alam Iqbal 770

Window on the World

Britain and its Monetary Problems —E.B. Brook 775
Indian Industrialists in Federal Germany —N.K. Barooah 776
USA and the New International Monetary System —William Simon 777

Trade Winds

Committee on Company Affairs; Alkaloid Plant; Development Council for Cement Industry; Cost of Hydro Projects; UK Bank Rate; Oil from Coal; FICCI Team for S.E. Asia; Collaboration with South Korea; Trade with Oman; Short-term Loan for Bihar; Sugar for November; Bank of Baroda Retailer Week; Production in Paper Industry; Names in the News 781-783

Company Affairs

Ramon and Demm; Garware Nylons; Ranbaxy Laboratories; Mahindra and Mahindra; Hindustan Organic Chemicals; Terpene Industries; News and Notes; New Issues; Dividend 784-786

Records and Statistics

India's Exports : 1974-75 and 1975-76 787

Sudamdih and its sorrow

MORE THAN 40 miners lost their lives on October 4, in an explosion in Sudamdih coal-mine situated near Dhanbad (Bihar). The Chasnala coal-mine which witnessed a much bigger tragedy—death toll around 400—last year in December is not far from it. In recent years, other coal-mines in the area such as Chinakuri, Poidih, Jitpur, Barbelia and Dhori have been scenes of accidents of varying magnitudes. That the miners have faced these hazards in the past and may have to encounter similar dangers in the future is perhaps something which is unavoidable but with advancement in technical know-how and the institution of safety measures, it is legitimate to expect that the frequency as well as the intensity of these mishaps would be considerably reduced.

Before the nationalisation of coal-mines, it was fashionable, if an accident took place, to blame the "greedy" colliery-owners for their callousness in regard to the safety of the mines and the miners. No such charge can be laid at the door of the Bharat Coking Coal Ltd (BCCL) which now runs all the nationalised coking coal-mines. However, Mr S.P. Ganguly, Director of Mines Safety, has resigned, though officially no reason has been given for his exit. Surely, the government seems to have taken a serious view of the mine disaster at Sudamdih. Mr K.C. Pant, the union Energy minister, rushed to Dhanbad along with senior officials to speed up the rescue operations. He postponed his visit to the USSR which was to begin on October 6. The union Labour minister, Mr K.V. Raghunatha Reddy, also visited the site of the accident and organised prompt relief to the affected families. The first instalment of relief donations to the affected families has already been distributed. Each family has been given Rs 1,750 (Rs 1,000 from the BCCL, Rs 500 from the Bihar government and Rs 250 from the Coal Mines Welfare Organisation). And now work has been resumed in the coal-mine except the particular seam in which the explosion took place.

As is usual, the government has announced its decision to set up an enquiry committee headed by Mr H.C. Sarin which will examine the causes of the explosion and pinpoint the responsibility (or lack of it) of the officials. There is no dearth of similar reports prepared in the case of earlier accidents but the fault lies with the non-implementation of the recommendations of these committees. For instance, the court of enquiry set up after the Noondih-Jitpur accident in 1973 had recommended that all coal-miners should be provided with "filter self-rescuers". The cost of a self-rescuer ranges between Rs 700 and Rs 800. Three years after the report of the court of enquiry, the BCCL has as yet to place orders for their purchase! It is conceded that the capital cost of such equipment is high but what is annoying is that even a beginning has not been made in this regard. And what about the Chasnala enquiry report? Have any steps been taken to implement the suggestions made in this report? Such reports serve no purpose if they gather dust in the cupboards of the relevant ministry.

And the government is also intending to launch a general social security scheme which would cover not only the victims of fatal accidents but also the injured and the sick. This again is an indication of the good intentions of the government. An expression is given to these noble ideas every time an accident takes place but as soon as the dust settles down, the policy-makers forget all the promises made to the people who lead a hazardous life in the service of the nation. During the past two decades, around 1,000 persons have died in seven coal-mine major accidents. According to an unofficial estimate, accidents in coal-mines in this country claim no less than 200 lives every year. Will it be too much to expect to cut this figure to half during the next two decades? The experts believe that three out of four accidents in coal-mines are avoidable through adequate safety measures. Perhaps the time is come for the men who control the destiny of the miners to make use of the latest scientific know-how and safety instruments and methods so that no life is lost for want of proper facilities. And there should be deterrent punishment for the officials who are found to be negligent in the discharge of their duties.

HIL makes heartening progress

Hindustan Insecticides Limited (HIL) can take legitimate pride in the fine record of its achievements, especially since the turn of the current decade. For the sixth year in succession, it had rising turnover last year—going up from Rs 290.04 lakhs in 1970-71 to Rs 396.20 lakhs in 1971-72, Rs 502.63 lakhs in 1972-73, Rs 623.07 lakhs in 1973-74, Rs 879.00 lakhs in 1974-75 and as much as Rs 1080.94 lakhs in 1975-76. The profit before tax, but after providing for depreciation, has also been going up significantly. It amounted to Rs 15.89 lakhs in 1970-71 and went up to Rs 49.48 lakhs in the subsequent year. There was a small decline in profit in 1972-73 to Rs 37.90 lakhs. Since then, however, it has been scaling new peaks every year at Rs 56.94 lakhs in 1973-74, Rs 97.82 lakhs in 1974-75 and Rs 150.56 lakhs in 1975-76. The net profit, which was the same as the profit before tax in 1970-71 and 1971-72 because of the absence of tax liability, went down to Rs 24.30 lakhs in 1972-73 to improve again in the subsequent year to Rs 35.94 lakhs. The profit after tax in 1974-75 rose to Rs 46.82 lakhs and in 1975-76 to Rs 55.56 lakhs.

net profit

The last year's net profit represented a return of 44 per cent on the paid-up capital of Rs 125 lakhs. In line with the increase in profit, the dividend for 1975-76 has been stepped up from Rs 10.04 lakhs for 1974-75 to Rs 11.29 lakhs. The undertaking has paid to the government since 1960-61, when dividend was declared for the first time, an aggregate sum of Rs 115.29 lakhs by way of return on capital.

Very prudently, significant allocations have been made all through the existence of the undertaking to general reserves. Including what has been ploughed back for financing expansion/diversification programmes, the accruals to the general reserves by March 31, 1976, had been of the order of Rs 303 lakhs.

Much more significant achievement of the undertaking during 1975-76, however, has been the increase in production at both its Delhi and Udyogmandal (Kerala) plants. Despite the fact that both the plants are pretty old, they yielded an output of 4,421 tonnes of technical DDT and 8,302 tonnes of formulated DDT, which amounted to 108 per cent and 102 per cent of the 4,088 tonnes and 8,176 tonnes rated capacities in the two lines, respectively. This speaks highly of not only the good care that is being taken of the plant and equipment but also of the cordial relations between the management and the work force.

amicable settlements

Another evidence of the latter is available from the fact that all through the 22 years of its operation, the undertaking has not suffered from any strike or lockout, though workers have not been found wanting in pressing for improvement in their service conditions. It goes to the credit of the management and also of the workers that all the points of difference and disputes have always been sorted out across the table, even though there have been some minor irritations resulting sometimes in demonstrations.

Another very significant event in the working of the undertaking lately has been that as a sequel to efficient operations, cost escalations have not only been absorbed by and large but also the prices of both technical DDT and technical BHC produced by it have been reduced, with effect from April 1, by 10 and four per cent respectively. This should go some way in encouraging application of insecticides by farmers to their crops and also benefit other consumers. The cut in prices has also come at a very opportune time when the procurement prices of foodgrains are being maintained at the last year's levels in the interest of holding the price-line. It may be recalled that the strategy pleaded by state governments currently for raising agricultural output is reduction in the prices of farm inputs rather than increasing of the prices of farm products.

The undertaking is currently poised for an ambitious expansion programme, which when completed by the end of the current Plan period or soon thereafter, will nearly quadruple its turnover to about Rs 40 crores and raise its share in the total production of pesticides and insecticides in the country from about 15 per cent at present to approximately 25 per cent. This expansion programme envisages not only the raising of the output of DDT by as much as 5,000 tonnes per annum, but also diversification of the production pattern by starting the manufacture of malathion and endosulfan. It is also proposed to go in for granulation of BHC.

The establishment of malathion manufacturing facilities during the current Plan period, it is felt, would further foster the diversification programme in the subsequent years as it would enable undertaking of seven or eight other pesticides based on malathion. There is also a proposal to add another 5,000 tonnes capacity for raising the output of DDT in the sixth Plan period.

indigenous technology

The production of both malathion and endosulfan is envisaged to be taken up by using indigenous technology. The two plants to produce the basic materials, as well as the related formulation units, are also to be engineered and set up without foreign assistance. The BHC granulation project, however, is to be installed with the technical collaboration of a Japanese firm -Messrs C. Itoh and Co. The current Plan's expansion and diversification programme is expected to cost Rs 23 crores.

The malathion plant, capable of producing 1,800 tonnes of malathion per year —the biggest in the country—as well as the 5,000 tonnes per annum capacity new DDT plant, which will be the biggest in Asia, are being located at Rasayani, in the state of Maharashtra. The former is expected to cost Rs 5.9 crores and the latter Rs 8.25 crores. Both are likely to go on stream by 1979. The Rasayani complex —to be the third complex of HIL after

Delhi and Udyogmandal—alone would raise the turnover of the undertaking by over Rs 15 crores and help in saving foreign exchange to the tune of Rs 11 crores per annum. The proposed sixth Plan addition to the DDT manufacturing facilities is also envisaged to be undertaken at Rasayani.

The endosulfan project is to be located at Udyogmandal. It will be having the capacity to produce 1,600 tonnes of this product per annum. Costing nearly Rs 7.33 crores, it is expected to be commissioned in 1978-79. An endosulfan formulation plant of 800 tonnes capacity per annum, costing Rs 1.35 crores, is already being set up under the seeding programme for popularising imported endosulfan. The commissioning of the endosulfan complex is likely to save the country annually foreign exchange equivalent to nine crores of rupees.

The BHC granulation plant is to be set up at Udyogmandal. It is likely to go into production by 1977-78. The installation of this plant is stated to be a significant milestone in the diversification programme of the undertaking, as the manufacture of extruded granules is considered to be of vital importance for such agricultural crops as paddy and sugarcane. Malathion is used for public health purposes and for application to such crops as sugarcane and vegetables. Endosulfan is used for tea, vegetables, sugarcane, oilseeds and paddy crops.

boost to production

Incidentally, the use of indigenous technology by HIL for the manufacture of malathion and endosulfan can be expected to give a boost to their production by the private sector also as the latter will no longer have any misgivings about this technical know-how. There is, however, a strong case for strengthening the extension services, especially those provided by the small units. Whereas the bigger units are endeavouring to make available technical advice for the application of insecticides and pesticides in a judicious manner, the same can not be said about the smaller units which have limited resources.

The state extension services, which supplement a great deal the efforts of the smaller units, also need to be streamlined, particularly when under the present policy of government, 50 per cent of HIL's bulk production of DDT, malathion and endosulfan is to be formulated by others. The strengthening of extension services is needed not only for obviating the hazards of indiscriminate use of insecticides and pesticides but also for avoiding wastages which are inherent in unscientific application. This alone can considerably reduce the current imports of insecticides and pesticides directly and those of some farm products indirectly.

Banking commission's questionnaire

The Banking Commission, set up by the government of India under the chairmanship of Mr Manubhai Shah, has issued a questionnaire with 24 questions dealing with various aspects of its terms of reference. But most of the questions are worded in a long-winded manner which may not help the Commission to obtain clear and straight answers. Many questions contain between 200 and 300 words each. It would have been much better if the Commission has made each question as short as possible so that it would be easier for the public to answer it.

The main task of the Commission is to review comprehensively the existing organisational structure of the public sector banks and recommend such changes as may be necessary to promote operational efficiency. Therefore, is it really necessary for the Commission to examine the working of the credit policy? The Commission has asked the following question: "By a proper credit policy and credit control, amongst other anti-inflationary measures, the union government has successfully brought the prices down. The inflationary pressures have been brought effectively under control. Within these overall credit policies, certain segments of economy have sometimes complained about their liquidity and inadequacy of bank credit. Can you mention some such legitimate hardships that may have come to your notice with respect to public sector and private sector large and medium scale organised industries and units? Small scale industrial units, exporters, cottage industries and handicrafts and priority sectors of economy in some cases have also sometimes expressed their difficulties. What specific and concrete measures will you suggest in this regard keeping in mind the overall need of credit control to keep inflation in check?

Issues relating to credit policy have been examined already by the Tandon Committee and also by some other working groups. The Reserve Bank has recently set up a working group consisting of some of its senior officers to study this subject. Both the union Finance minister and the Governor of the Reserve Bank have categorically stated that the present credit policy will continue and that every effort will be made to provide adequate credit for all productive purposes. The Finance minister has also declared that credit policy will not be changed in spite of the "hue and cry", raised by the private sector. Therefore, what purpose will be served by the Banking Commission going into this problem and enquiring if industries have experienced "legitimate hardships" in regard to the availability of credit?

Moreover, three out of five members of the Commission are closely associated with the formulation and implementation of the government's credit policy, namely, Mr Sen Gupta, Secretary of the department of Banking, Mr Luther, Executive Director of the Reserve Bank, and Mr Venkatachalam, Joint Secretary of the department of Revenue and Banking (Banking Wing). Is it likely therefore that the Commission will make any recommendation which will be contrary to the government's current credit policy?

The Banking Commission has asked

for views on the desirability of setting up functional banks such as Bank of Tourism, Bank of Housing and Construction and Export Bank of India with branches at major important centres for the promotion of tourism, housing and construction, and exports. Is it not rather premature to think of setting up separate banks for tourism as well as for housing and construction? These activities should be stimulated by other measures than by creating separate banks. As regards an export bank, this subject has already been examined by several groups. The view of the union Finance ministry seems to be that with the restructuring of the Industrial Development Bank of India (IDBI) and the simplification and streamlining of procedures for sanctioning finance for exporters, there is no need to set up a separate bank for export for the present. In these circumstances, is it necessary for the Banking Commission to examine this issue?

farm finance

It seems surprising that while the Commission has sought the views of the public on the role of banking in promoting tourism, housing and exports, it has not asked for suggestions about various aspects of finance for agriculture. It is true that some questions have been asked about the rural banks but should not the Commission have specifically raised some relevant questions regarding the part that the banks can play in developing agriculture? In his address at the twenty-first annual general meeting of the State Bank of India held on March 30 this year, Mr R K. Talwar, the then chairman, referred to some major issues relating to agricultural finance such as the need to avoid scattered lendings, selection of centres for intensive lending to agriculture, and the high cost of direct lending to farmers. He revealed that most of the 150 agricultural development branches of the State Bank were incurring sizeable losses. As one of the tasks of the Banking Commission is to examine the role of the banks in implementing the 20-point programme, it should have sought expert opinion on the various aspects of lending to agriculturists.

The Commission has asked whether it will be desirable to set up a University of Banking. This questions runs as follows: "In order to have professionalised, efficient, and expert banking services, is it necessary to set up an Academy of Banking or a University of Banking to which all the Institutions of Banking Management and Development and such future bodies, if any, could be affiliated? Each of the institutions may cater, as far as possible, for some specialised aspects of banking and avoid overlapping, to the extent possible. In addition there should be Research and Development Division of Banking in each of the major public sector and private sector banks".

It seems strange that the Commission should try to encourage such fantastic ideas as setting up a University of Banking when our major objective should be to improve the efficiency of the banking system and to spread the banking habit among the masses. If one University of Banking is set up, will there not be a clamour for such universities in each region or state? We have already set up far too many universities in an indiscriminate manner and many of them are facing serious financial and administrative difficulties and are unable to maintain reasonable standards of efficiency and scholarship. Is this then the right time to think in terms of banking universities?

As regards the motivation of bank employees, the Commission has asked the following question: "The bank employees and staff are the principal instrument in making the services of the banks efficient and popular. Bankmen and staff have been given representation on the Boards of Directors of Public Sector Banks. Adequate training in the technical and public relations aspect for every bankman has been considered a must both for the existing employees and the new recruits. In addition, do you suggest steps by which bank employees and staff can be motivated to better and more efficient bank services and deeper involvement in management and development of the banking industry?"

It was expected that nationalisation would be a powerful motivating factor towards better efficiency. But, consider what Mr R.K. Talwar said recently: "The problem of customer service ultimately hinges on the attitudes of the bank staff. In a recent survey of the responses of customers to the service provided by the banks, one finding is that 44 per cent of the customers who responded to the questionnaire said they experienced dissatisfac-

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Eastern Economist 30 Years Ago

OCT. 18, 1946

In spite of our country having more than ten million spindles and more than two lakhs looms cloth production during the war and after has not been able to keep pace with demand. True, the war time has witnessed a considerable increase in production due to the starting of night shifts; but the supply position has been and continues to be acute. The demand on the other hand has been on the increase due to inflation. After the termination of hostilities and the consequent stoppage of military supply, the position ought to have eased a little, but the pent-up demand is reappearing and widening the gulf between supply and demand. Recently a few more factors have adversely affected the position regarding cloth production in this country. The adverse effect of the 8-hour day on cloth production would have been offset, had it been possible to start three shifts. But there is not enough labour on the weaving section even for two shifts let alone the talk of three shifts. Obviously efforts should seriously start from the production end to relieve the situation. The prospect may not at first sight look very bright but the problems though formidable are not insurmountable provided the Interim Government gives the problems its best attention and tackles it in right earnest forthwith. Very closely connected with the production of cloth is problem of the quality of cloth. The cloth produced today is not durable in quality and is inferior because the only motive is the profit motive behind it. The quality being inferior, the demand comes more frequently and does not, therefore, relieve the supply position as it should otherwise. It is therefore, necessary not only to increase the production of cloth in quantity but also to improve the quality and therefore durability of cloth which both together would solve our present problem to a substantial extent.

tion most of the time. This should make us sit up and take steps to educate our staff so that the spread of banking habit is not hampered by indifference to customers". Customer service seems to have improved to some extent after the declaration of the emergency. The Commission should analyse this aspect carefully and examine how customer service in the public sector banks compares with that in the private sector.

One of the terms of reference of the Commission is to recommend measures to secure "a deeper and more direct involvement of public sector banks in the process of rural development having special regard to the implementation of the 20-point programme". But what about the private sector banks? They too are playing an important role in rural development. Many of them have achieved remarkable success in mobilising savings. Some have also shown considerable ingenuity and imagination in persuading the public to step up their savings. Will not the 20-point programme be more effectively implemented if the resources of the private sector banks are also utilised? Or, is it the intention of the government to appoint another Commission at a later stage to consider how to involve the private sector banks in implementing the 20-point programme?

Fifth Plan and its finances

THE FORMULATION of the resources budget for the fifth Plan which is mainly in the nature of an analysis of plan investment in the first three years and an attempt to mobilise the required resources for the remaining two years 1977-78 and 1978-79 -- on the basis of the revised outlay, has been conceived in an extremely conservative basis, in contrast to the loosely framed budget estimate in the draft Plan. Indeed the shape of the budget has completely changed as the components in the revised estimates consist mainly of resources raised through additional measures, larger receipts under the small savings campaign and surprisingly enough a far bigger foreign exchange content than was envisaged at any time in recent years.

The size of the budget has not increased to the extent warranted by the earlier targets. These have had to be pruned rather significantly in many directions as the progress in the first half of the Plan has not accorded with expectations and the escalation of costs due to internal and external inflation has rendered deeply outdated earlier allocations on the basis of 1971-72 prices. The planners were obviously keen to adhere to the five-year deadline and their new approach therefore is in the nature of a mid-term appraisal of what has been achieved so far and what can be attemped in the next two years consistent with the capability of government machinery to handle large allocations and the availability of physical and financial resources.

As stated earlier, the outlay could be raised only modestly because of the slow progress in 1974-76 and the need to prepare the economy for embarking on an ambitious sixth Plan. Even so, having regard to the vastly improved economic situation and the availability of rupee and foreign exchange resources, a much bolder approach could have been adopted with the allocation of resources to the states particularly for specific projects in the priority sector, on the understanding that the funds allotted would be used for productive purposes and the returns from new schemes would be adequate to service the loan obligations. There has certainly been an attempt to allocate larger amounts for irrigation and power projects and also for industrial undertakings and it can surely be expected that the required progress will be made in several directions and the revised targets achieved without difficulty.

A careful analysis of the resources budget estimate will reveal that the scope for raising rupee and foreign exchange resources through borrowing and a better utilisation of existing sources can easily finance a plan of Rs 42,000 crores with comparatively a modest dose of deficit financing. Even with a drastic reduction in savings from current budgetary revenues at the rates of 1973-74 taxation, a lower level of generation of internal resources of public enterprises and a shortfall in markest borrowing, it is felt necessary to raise only additionally Rs 1,601 crores by the central and state governments against the increase in Plan size by Rs 2,053 crores. What is striking is the fact that no advantage is being taken of bank credit and owned funds of public financial institutions for creating fixed assets. The amount involved under these two heads is Rs 1,275 crores. The shortfall in receipts under three heads as indicated earlier is Rs 8,184 crores, while miscellaneous capital receipts will be less by Rs 533 crores.

non-plan expenditure

It is understandable that savings from current revenues on the earlier basis have been seriously affected by an increase in non-plan expenditure. It is however surprising that gross savings of public enterprises should be only Rs 849 crores against Rs 5,988 crores in the draft Plan. The railways have slipped back woefully as apart from making a contribution of Rs 649 crores, there will be a deficit of Rs 1,818 crores. The posts and telegraphs Department will be making a smaller contribution of Rs 380 crores against Rs 842 crores, while other enterprises will be generating only Rs 2,287 crores as compared to Rs 4,497 crores. There has, therefore, been a setback on all fronts and the planners have to make good as much as Rs 5,139 crores in respect of this group alone. It is, however, justifiable to expect that the railways will function on a better basis during 1977-79 and the profits of other enterprises will be much better than those expected in the revised Plan.

It is difficult to explain why the yearly average generation of resuorces in 1977-79 in respect of other public sector enterprises than railways and posts and telegraphs has been taken at only Rs 419.5 crores against Rs 483 crores in 1974-77 when different units were affected by recession and a lower level of productivity. The public enterprises can thus be expected to make available additionally

Rs 300 crores. As regards market borrowing it should have been possible to exceed the estimates as the capacity of Life Insurance Corporation, the Provident Fund and banking system for effecting fresh investments has vastly improved, and there should have been actually an increase in realisation and not a shortfall. But the revised estimates placed the yield at only Rs 5,879 crores against Rs 7,232 crores or a drop of Rs 1,353 crores.

massive mobilisation

Even during the current year additionally Rs 300 crores can be raised by the central and state governments and public bodies. Also, in the last two years the yearly net borrowing can be in the region of Rs 1,700 crores against the yearly average of Rs 1,425 crores. The scheduled commercial banks alone may be in a position to put up Rs 2,000 crores in these two years while the Life Insurance Corporation, the Provident Fund and co-operative banks can account for another Rs 1,400 crores. The additional resources mobilisation in 1974-77 has been so massive that tax base has become regressive in some directions and it has been necessary to effect adjustments in many levies. But the collections can still be large with strict and quick assessments and it will not be necessary to raise an extra Rs 1,600 crores through new levies.

The tax effort so far has resulted in the mobilisation of additional resources of Rs 6,290 crores while the amounts gathered in 1977-79 will be as much as Rs 8,403 crores, taking the total of Rs 14,693 crores against only Rs 6,850 crores. The buoyancy of tax revenues of the centre particularly is so highly encouraging that the shortfall of Rs 900 crores on its account can be easily made good, if not exceeded. The states too will be in a position to realise larger amounts through sales tax and other receipts. They can also increase net earnings of state electricity boards with better efficiency. The irrigation projects too can secure larger returns with an adjustment in rates. Again with a higher level of activity, tax receipts can easily be Rs 500 crores and more even after filling the gap of Rs 1,601 crores.

The foreign exchange content has increased significantly because of larger net aid and the decision to take credit for Rs 600 crores out of the swelling reserves. It has been wisely decided to refrain from taking credit against the oil facility and special assistance as even normal aid will be sizable and the trade gap may be such as to even enable net additions to reserves out of net aid. The aggregate foreign aid has thus been taken at Rs 5,834 crores against Rs 2,443 crores, while borrowing from the Reserve Bank out of reserves will be Rs 600 crores. As it is likely that fresh additions to these reserves in the next two years may be Rs 1000 crores and more, and currently foreign balances held by the Reserve Bank in the Issue and Banking Department are around Rs 2,150 crores, the credit can be easily Rs 1,600 crores.

The only question is whether it will be desirable to permit liberal imports which may have an adverse effect on the operations of Indian industry and whether increase in foreign exchange content of the Plan is desirable simply to increase the size of the Plan. It may, however, be advantageous to hasten the pace of implementation of many thermal projects, step up production of oil in the Bombay high, increase capacity of non-ferrous metal units and quicken the construction of fertiliser projects.

Rapid progress in these sectors will result in a quicker substitution of imports of crude and petroleum products and fertilisers and non-ferrous metals, where there are heavy deficits. With the scope of generating larger internal recources by public enterprises to the extent of Rs 300 crores, market borrowing of Rs 850 crores, additional resources of Rs 500 crores even with no new levies and foreign exchange reserves of Rs 1000 crores, the size of the Plan can be increased by Rs 2,650 crores. It will be necessary to have deficit financing even on a larger scale in order to utilise foreign balances through larger imports and find matching rupee resources. The resources budget has, therefore, built-in reserves and the central and state governments have never had such a good opportunity for stepping up Plan outlay ambitiously in two years and gain the experience necessary for executing a bold sixth Plan. If the new opportunities are not fully utilised the growth in stature of public sector undertakings may even be stunted.

RECORDS AND STATISTICS

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CAPITAL'S CORRIDORS

R. C. Ummat

Capital goods imports • Foodgrains stock • Sehgal Papers

THE CENTRAL government last week announced a major relaxation in the import of capital goods which should benefit a wide range of industries. It has also permitted free imports of machinery within certain limits irrespective of indigenous availability.

The export-oriented industries have been allowed not only free imports of machinery up to a limit, but the excess capacity that might accrue as a result shall also be regularised on continued export commitment.

The liberalisation covers four of the existing schemes under which imports of capital goods, designs and drawings are allowed. A wide range of industries covered under appendix I of the import control policy has now been made eligible under the technical development fund scheme.

The procedure under the scheme for imports of machinery, designs, drawings and know-how has also been simplified. Foreign exchange up to a limit of $0.25 million per undertaking per year will be released along with the import licence within 45 days.

major relaxation

Another major relaxation effected relates to the scrutiny which was required hitherto from the point of view of finding out indigenous availability even for the import of marginal or balancing equipment of small value. With a view to injecting flexibility in imports of capital equipment, it has now been decided to allow imports of equipment freely without indigenous clearance up to the value of 10 per cent of the equipment procured indigenously, subject to a ceiling of one crore of rupees in the case of all new industrial units, including the expansion of existing units.

The value of equipment procured indigenously will have to be certified by financial institutions. An import licence would be issued directly by the chief controller of imports and exports with the condition that equipment to be imported would be for actual use in the project itself and would not be transferred. The import of such equipment would be allowed either through the provision of free foreign exchange or through licences against external credits.

export-oriented industries

The third liberalisation covers the export-oriented industries in order to maintain their competitiveness in international markets. It has been decided that the industrial undertakings exporting more than 20 per cent of their total production during the past three years would be exempted from the indigenous clearance procedure in imports of capital equipment and also the clearance of capital goods committee up to a value of Rs one crore in one year.

However, the undertaking will be required to ensure that it will continue to export more than 20 per cent of its total enhanced production for the next five years. Those industrial undertakings which have been licensed with a higher initial export obligation would have to maintain that higher level.

The additional productive capacity resulting from the above imports of capital equipment would be recognised by the government by making necessary amendments in industrial licences on the basis of a special procedure provided that such installation of imported equipment does not result in any encroachment of products reserved for the small-scale sector.

The proposals received from the foreign companies and those covered by the MRTP Act will be considered by a task force to be constituted in the administrative ministry concerned, while the proposals to recognise consequent additional productive capacity in other cases would be dealt with by the joint secretary concerned in the administrative ministry.

The import licences will be issued by the chief controller of imports and exports on the condition that the requisite legal bond for fulfilling the export commitment will be executed by the parties as per procedure. The equipment so imported will have to be actually installed in the industrial undertaking and will not be transferred to other parties.

The fourth relaxation covers the import of drawings and designs for machinery manufacture and fabrication. It has been decided to extend the facility to all industries mentioned in the first schedule of Industrial Development and Regulation Act. Further, the earlier limit of five lakh rupees for the import of such drawings and designs and other related technological inputs has been raised to Rs 10 lakhs.

* *

The latest assessment by the union ministry of Agriculture and Irrigation suggests that even if the procurement of rice out of the current kharif crop does not exceed 4.4 million tonnes — the aggregate target set for the various states — there would be a foodgrains stock of nearly 16.5 million tonnes available with the central and the state governments by the time procurement of the next rabi crop starts. This is based on the feeling that the addition to the stock in the next five months will be approximating the drawals from it for distribution through the fair-price shops system.

A stock of 17 million tonnes of grains is already there. The procurement of kharif rice would raise it by 4.4 million tonnes. There will also be some purchases of coarse grains, although they will be as a price support measure. The drawals from the stock for distribution through the fair-price shops till the next rabi crop comes in, may not exceed five million tonnes, as the off-take currently is around nine lakh tonnes per month. During September, the releases from the stock for distribution purposes amounted to 9.38 lakh tonnes. But September was the month in which arrivals in the market were negligible as kharif crop had just matured and the glut of rabi crop arrivals had been over by July itself.

With the enlargement of the southern rice zone to include Andhra Pradesh, Tamilnadu, Karnataka and the union territory of Pondicherry and the inclusion of Rajasthan in the northern rice zone, which earlier comprised Punjab, Haryana, Jammu & Kashmir and Himachal Pradesh, the availability of rice in the market, in fact, may go up quite significantly and the off-take from fair-price shops may not be as much as it used to be. In fact, in view of the very comfortable stock position, the central government has asked the state governments to increase the ration in their areas by 50 per cent, though the increased ration will be available only in the form of wheat.

Kerala's position

Kerala has not been included in the enlarged southern rice zone as the state government wants to depend primarily on central allocations for meeting the requirements of its population rather than depending on increased availability of rice in the open market for which the consumer will have to pay a slightly higher price.

The scaling down of the overall kharif procurement target to 4.4 million tonnes of rice, from 5.5 million tonnes suggested by the Agricultural Prices Commission (APC), is understood to have been done not only in view of the damage caused to the standing crop by floods in some states and inclement weather in some other areas but also owing to certain other considerations. The minister for Agriculture and Irrigation in reply to a question a few days ago had mentioned that there were practical considerations also for putting the procurement target low. The practical considerations are understood to be the limitations of storage as well as the need for extending credit for purchase of oilseeds and cotton under the proposed national plan for these two materials as well as other items of national importance. The reductions in the targets of various states are also likely to benefit them in the form of bonus they are entitled to on account of excess deliveries to the central pool.

* *

Sehgal Papers, the first important undertaking launched in the country by a non-resident Indian, has now decided that its all the three projects — a writing and printing papers project, a carbonless paper project and a tissue paper project — should be implemented simultaneously. Earlier it was envisaged to take up first the writing and printing paper project. The other two schemes were to be taken up in a phased manner later on.

The three projects in the integrated form are expected to cost Rs 15 crores, with a foreign exchange component of Rs 1.5 crores. The public issue of Rs 91 lakhs, which was earlier envisaged to be put on the market last month to cater for the requirements of the writing and the printing paper scheme, therefore, has been postponed. Now an integrated issue for inviting public subscriptions to the tune of Rs 3.8 crores or so is proposed to be put on the market in the next two or three months.

The implementation of all the three projects simultaneously is expected to save several crores of rupees in investment. It will, thus, make the project more viable. The promoter of the project, Mr Madan Sehgal, feels that as a result, dividend to shareholders would be declared much earlier than is usually done in the country. The products of the venture, he is confident, would find a ready market. Being put up at Daruhera, in Haryana, a short drive from Delhi, the project is expected to go into production in the latter half of next year. Being implemented with US collaboration on royalty basis, it will be the first project producing soft tissues and carbonless paper in the country.

As both the soft tissue and carbonless papers will be direct import substitutes, foreign exchange worth several crores of rupees is expected to be saved annually for the country. An aggressive export programme is also envisaged. The collaborators are stated to have given an understanding to Mr Sehgal that they would help him in exporting his products from the very first year of production.

In an informal talk with pressmen last week, Mr Madan Sehgal expressed appreciation of the incentives being granted by the government for interesting non-resident Indians in setting up industrial units in the country. But he pointed out that in some circles of non-resident Indians, there was a feeling that the procedures which an entrepreneur of their class was required to go through continued to be cumbersome. He, however, assured that he had been given full cooperation by the authorities here and hoped that his example would be followed by some other non-resident Indians in the near future.

As a result of the integration of the three schemes, the writing and printing paper scheme will now be producing base paper mostly for the manufacture of carbonless paper. The licensed capacity for the carbonless paper scheme is 10,000 tonnes per annum. The tissue manufacturing programme has been licensed to a similar capacity and the writing and printing paper plan for producing 9,000 tonnes per annum.

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Economies of scale in tubewell irrigation

B.D. Dhawan*

What should be the size of a tubewell? The tubewell size commonly used in Uttar Pradesh is of 1.5 cusec (30,000 gallons per hour). The author has come to the conclusion that the optimum dimension of a tubewell in the Gangetic plains can be higher than 2.5 cusec as economies of scale prevail even up to the size of six cusec.

A STEADY expansion in grain output is the need of the hour. Without this, the planned strides in the fields of industry, transport, communications, etc may throw the masses into the lap of another wave of inflation. No less pressing are the political imperatives which stem from (a) the pronounced politicalisation of the world trade in foodgrains, and (b) the government's decision to play its due, though non-aligned, role in the international arena. God forbid, should a distressing situation, like the one of the mid-sixties, arise again, even our piling foreign exchange reserves may be of little avail in coaxing the principal grain supplier of the world to supply grain on purely commercial terms.

It is common knowledge that for a steady expansion of our agriculture there is no alternative to providing artificially what nature fails to provide otherwise, namely, water. Notwithstanding the fact that artificial means are not perfect substitutes for natural means, irrigation can mainly help us in simultaneously expanding and stabilising our grain output. While any source of irrigation is better than a situation of no irrigation, our endeavour should be to give special attention to sources which are perennial and reliable. Tubewells have this double attribute. The deeper they are sunk, the more reliable they are because the deeper aquifers (water-bearing strata) remain practically unaffected by a drought. And the deeper the tubewell is the more copious is the water supply.

The intention here is not to present tubewell as a superior source of irrigation. The primary objective is to draw attention of the policy-makers to the existence of substantial economies of scale in tubewell irrigation, which can be best exploited through state-owned tubewells, and not individually-owned tubewells. In this process doubts are dispelled about the onset of scale diseconomies after 1.5 cusec mark (30,000 gallons per hour), the tubewell size commonly in vogue in Uttar Pradesh (UP), the pioneer state in tubewell irrigation in India. Recently, the UP Irrigation Research Institute, Roorkee, rightly urged the UP government to go in for tubewells of 2.5 cusec capacity. However, the optimum size of a state tubewell in the Gangetic plains can be even higher than 2.5 cusec, as economies of scale do prevail even up to the size of six cusec.

The scale coefficients are based on engineering data for tubewells of twelve sizes given alongside.

POINT OF VIEW

The principal advantage of engineering data is that it would primarily reflect the pure scale effect, whereas the *ex post* data may throw up a scale coefficient that is tarnished by variations in the aquifer characteristics of the chosen tubewells, or their historical costs, non-comparable technology, etc. It is known that this advantage has to be set against a positive disadvantage of such data arising from the fact that tubewell costs in the real world may differ significantly from those obtained from the engineering estimates. One can argue that the scope for such difference is minimal in the present case. For the engineering data and cost estimates for tubewells of various capacities are obtained from the UP Irrigation Research Institute that has indeed done a very thorough job of estimation. The estimates are admittedly hypothetical for tubewells of capacity greater than 1.5 cusec, notwithstanding the fact that these are backed by 40 years of experience in constructing over 10,000 state tubewells in the particular hydrogeological conditions of UP.

The measure of economies of scale in tubewell irrigation is the parameter 'b' in the following expression :

$$C = a.X^{b}$$

where : C is cost of tubewell;

X is a measure of the size of a tubewell.

If 'b' is less than one, the economies of scale are in operation throughout the tubewell size range considered. Likewise, if 'b' is greater than one, diseconomies of scale exist, and b = 1 implies constant returns to scale. The value of 'b' only is

Rated Discharge of a Tubewell

in cubic metre per second	in cusec	in gallons per hour (approximately)
0.014	0.5	10,000
0.028	1.0	20,000
0.042	1.5	30,000
0 056	2.0	40,000
0.070	2.5	50,000
0.084	3.0	60,000
0.098	3.5	70,000
0.112	4.0	80,000
0.126	4.5	90,000
0.140	5.0	100,000
0.154	5.5	110,000
0.168	6.0	120,000

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given here and not the regression equation.

The following items of annual cost of a tubewell have been taken into account :

(i) Electricity bill;
(ii) Salary of tubewell operator;
(iii) Overhead expenditure;
(iv) Interest charge;
(v) Depreciation charge;
(vi) Repairs and maintenance.

In working out these items of costs, the following procedure was adopted.

Electricity Bill : This cost is a function of (a) horse power of tubewell motor, (b) the annual running hours per tubewell, and (c) the nature and basis of power tariff. Notwithstanding the recent introduction of flat power tariff in UP, the electricity charge has been computed on a variable basis of 3,000 running hours per tubewell per year. However, the electricity consumption has been evaluated at the rate of 15 P and 30 P per KWh—the lower rate reflecting the average price being realised by the UP State Electricity Board on its rural sales to tubewell owners, and the higher price reflecting the resource cost of supplying power to rural sector.

Salary of Tubewell Operator : The annual salary of Rs 4,000 per tubewell operator is assumed. To be realistic, the tubewell operator has been provided with one or more assistants if he has to deal with a larger number of farmers because of the larger size of the tubewell. Assuming the annual cost of an assistant to be Rs 2,500, and varying the number of assistants, the cost on account of 'salary of tubewell operator' is calculated as follows :

Size of tubewell (m^3/sec)	No. of assistants
0.014 to 0.056	Nil
0.070 to 0.112	One
0.126 to 0 168	Two

In arriving at the number of assistants, the number of separate delivery tanks per tubewell, that is, one assistant for each additional delivery tank, has been the guiding factor.

Overhead Expenditure : The overhead expenditure is nothing but the cost of the tubewell establishment, including repair and maintenance organisation. This cost has been taken to be Rs 1,000 per tubewell and it is assumed to be invariant with size of tubewell.

Other Charges : The costs on account of interest charge and depreciation charge are simply a fraction of capital cost of a tubewell. The same also holds good in practice for repairs and maintenance cost (other than the cost of the repair and maintenance outfit). Assuming the life of a tubewell to be 25 years, depreciation charge is taken as four per cent of the capital cost of constructing a tubewell. Likewise, repairs and maintenance bill is taken to be three per cent of the capital cost, although this cost is an increasing function of time as well. As for interest charge, it is computed on the basis of five per cent as well as 10 per cent—the lower rate reflecting the usual rate at which public irrigation works have been financed in recent years, whereas the upper rate is nearer the true scarcity of capital funds in the economy.

Together, these three items of cost, which bear a definite relation with capital cost, are termed as 'fixed' item.

Extent of Economies : The scale coefficients for total annual cost are found to be in the range 0.78 to 0.84—definitely less than one—indicating significant scale economies in the entire range of tubewell sizes considered. The lower value emerges when electricity is priced at 15 P per KWh, and 'fixed' item at 12 per cent of capital cost. The higher value is the outcome of doubling of the price of electricity to 30 P per KWh.

The chief sources of economies of scale are (1) capital cost, and (2) operating costs other than electricity cost. In respect of electricity cost, one encounters an element of size diseconomy.

The scale coefficient for total capital cost is about 0.84. Within capital cost, the source offering the greatest economy is the pumping set whose scale coefficient is 0.58. However, the real source of this economy is external to tubewell, in the sense that cost of a pumping set is quite inelastic with regard to the horse power of the pumping set. To illustrate, the horse power of the tubewell rises by 15 times when the corresponding size of a tubewell rises by 12 times. This diseconomy is transformed into a scale economy because the 12 times larger pumpset costs only 3.5 times more in the pumpset market.

The main sources of diseconomy in capital cost are : slotted pipe (1.21), blind pipe (1.38) and water distribution channels (1.0316). In view of the substantial weight of the water distribution segment in the overall capital cost, it is found that the share of this segment in total capital cost rises sharply with the rise in tubewell size, as shown in the table below.

Size-wise Capital Cost Structure of a Tubewell

Tubewell size (m^3/sec	Percentage share of cost due to		
	Tubewell proper	Water channels	Pumpset
.014	37.4	36.0	26.6
.028	34.2	46.5	19.3
.042	29.0	55.0	16.0
.056	29.1	56.1	14.8
.070	27.6	58.2	14.2
.084	27.2	59.0	13.8
.098	25.9	59.3	14.7
.112	26.3	59.7	14.0
.126	27.1	59.3	13.6
.140	26.8	59.7	13.5
.154	26.3	60.7	13.0
.168	26.3	61.4	12.3

The scale coefficient in respect of electricity charge is about 1.10. The source of this diseconomy is the increasing depth from which larger tubewells lift their water. For example, the total 'head' involved in the case of tubewell of 0.5 cusec capacity is about 13.82 metres (45 feet) as against 20.25 metres (66 feet) in the case of six cusec tubewell.

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17 million tonnes
of storage accommodation

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Price stablisation

FCI's procurement and distribution help in greater stabilisation of prices. It makes foodgrains available to the consumer throughout the country at a fair price fixed by the Government all through the year.

Generating employment in
the countryside

The Food Corporation of India reaches the remotest corners of the country through its vast network of offices and storage centres. It's market operations give great encouragement to co-operatives all over the country. And every year the FCI makes an active contribution to the economy of the country—generating employment for the masses in its field operations, transport services, storage ancillaries and building activity and hence serves the rural population with ready money to carry out their cash purchases.

FOOD CORPORATION OF INDIA

In the service of the nation

Edible oils : performance and prospects

Badar Alam Iqbal

In order to increase the production of edible oils in our country, the author has made two suggestions. First, all possible steps should be taken to increase the yield from land under oilseeds. Second, increased attention should be paid to the cultivation of soyabean and sunflower, and other minor oilseeds which have been neglected so far.

THE EDIBLE oils consumed in our country are obtained mainly from four oilseeds namely, groundnut, rapeseed and mustard, sesamum and copra. Among these groundnut and rapeseed and mustard are of sufficient importance. Our country is the largest producer of groundnut seed and ranks second in the production of rapeseed, mustard and sesamum. Coconut oil obtained from copra is being used only by a small section of the population living in the coastal areas where coconut grows in plenty. However, the production of coconut has remained unchanged in recent years due to the widespread leaf disease in coconut trees. Added to this, Sri Lanka from where India used to import sizeable quantities of copra and oil, has imposed a ban on its export. As a result the prices of coconut oil have been rising for quite some time and in the context of the high prices of other edible oils, the price of coconut oil has also gone up. Of the remaining major oilseeds groundnut accounts for 59 per cent of the total, rape and mustard seeds for 25 per cent and sesamum accounts for the balance of a little over four per cent.

Trade estimates place the groundnut crop in 1974-75 at five million tonnes. This shows a decline of 14 per cent from the estimate of 5.8 million tonnes during 1973-74. The production of sesamum and castorseed is placed lower at 450,000 tonnes and 225,000 tonnes respectively in 1974-75. The production of rapeseed, mustard seed and linseed — the main rabi oilseeds in 1974-75 — was expected to be higher at 2.2 million tonnes and 0.5 million tonnes respectively. The output of five major oilseeds was around 8.4 million tonnes in 1974-75 as compared to 8.7 million tonnes in 1973-74. Thus, production in 1974-75 was short by 16 per cent of the target of 10 million tonnes. Even so, taking into account the estimated carry-over stock of 300,000 tonnes of groundnut, the domestic availability of five major oilseeds in 1974-75 was almost the same as in 1973-74.

In view of the substantially lower production of groundnut, the maximum level of utilisation of groundnut oil in the manufacture of vanaspati was reduced from 55.7 per cent in different zones in the country to a uniform level of 25 per cent for all zones with effect from January 5, 1975. Simultaneously, the minimum level of utilization of cottonseed oil for the manufacture of vanaspati was increased from 15 per cent to 30 per cent.

The trends in area under oilseeds, production, and productivity of oilseeds for the period of 1948-49 to 1974-75 are given in Table I.

The area under oilseeds increased from 9.7 million hectares to 15.6 million hectares i.e. an increase of 61 per cent in 1974-75 over 1948-49, while production increased by 79 per cent during the same period,

TABLE I

Area, Production and Yield per Hectare of Oilseeds

Year	Groundnut	Rapeseed and mustard	Sesamum	Linseed	Castorseed	All oilseeds		
	P	P	P	P	P	A	P	Y
1948-49	2984	767	350	445	111	9678	4657	481
1950-51	3481	762	445	367	103	10727	5158	481
1955-56	3862	860	467	420	125	12085	5734	474
1960-61	4812	1347	318	398	107	13770	6982	507
1965-66	4230	1276	425	335	80	14928	6346	425
1966-67	4411	1228	416	260	110	14994	6425	429
1967-68	5731	1568	445	438	121	15667	8303	530
1968-69	4475	1572	415	352	111	14584	6925	475
1969-70	5130	1564	488	469	123	14812	7734	522
1970-71	6111	1975	562	474	136	15418	9259	601
1971-72	5712	1451	459	510	144	15597	8275	531
1973-74	5932	1704	484	504	229	15451	8853	845
1974-75	4990	2211	408	537	216	15586	8363	696

Note : A—Area in thousand hectares P—Production in thousand tonnes Y—Yield per hectare in kgs

Source: *The Oilseeds Journal*, July 1973 and *Records & Statistics*, Jan-March 1976 and productivity rose from 481 kg per hectare to 696 kgs per hectare showing an increase of 44 per cent during the period under review. The increase in production occurred mostly as a result of the increase in the area under cultivation though productivity continued to be at a low level. According to an estimate the productivity of groundnut in India is abysamally low at 770 kgs per hectare as compared to 1980 kgs in the USA and 1480 kgs in Pakistan; in rapeseed it is only 410 kgs as compared to the world average of 630 kgs.

Groundnut is cultivated mainly in the states of Gujarat, Andhra Pradesh, Tamil Nadu, Maharashtra and Karnataka. Rape and mustard seed are almost totally grown in Uttar Pradesh. The share of this state in 1973-74 being over 80 per cent of the total. Uttar Pradesh also figures prominently in the production of sesamum seed, other important states producing the same being Rajasthan, Orissa, Madhya Pradesh, Gujarat and Andhra Pradesh.

It is important to note here that although production, over the years, of edible oilseeds increased because of the extension of the area cultivated, the increase in production fell short of the growth in population, leading to a fall in per capita availability. Table II shows the per capita availability of edible oils from 1950-51 to 1974-75.

non-traditional sources

Per capita availability of edible oils increased from 2.7 kg in 1950-51 to 3.2 kg in 1974-75 showing an increase of 18 per cent while per capita availability of vanaspati decreased from 0.7 kg to 0.6 kg. However the total fat availability on per head basis was slightly better than in 1950-51, which however compares poorly with the average of 20 kgs for all countries. As the total need cannot be met from the major oilseeds, namely, groundnut, linseed and sesamum, our country will have to fall back upon cottonseed and non-traditional sources such as the minor oilseeds.

The union Agricultural ministry is planning vigorous measures to increase production by introducing a new package of practices and incentives. The strategy is to increase the yield per hectare. Out of the total area of seven million hectares, centrally sponsored groundnut scheme will cover about two million hectares. The emphasis will be on the integrated groundnut crop in southern states during summer because it gives two and half time more yield than the rain-fed crop. Moreover water required for irrigating one hectare of paddy is enough for irrigating three hectares of groundnut. The ministry also proposes to bring command areas of Tungabhadra, Hirakud and Nagarjunasagar dams under summer groundnut crop. The red soil in these regions is highly suitable for groundnut production.

An important reason for low productivity in oilseeds is the lack of technological breakthrough in evolving high-yielding varieties of oilseeds. Also, despite the high prices of oilseeds, monetary return per hectare of land under oilseeds is not as attractive as is the case with wheat and other high-yielding varieties of foodgrains. Whenever there is an improvement in irrigation, available fertile land is switched over to the produotion of foodgrains and other competing crops.

TABLE II

Per Capita Availability of Edible Oils and Vanaspati

Year	Edible* oils (kgs)	Vanaspati (kgs)	Total fat availability (kgs)
1950-51	2.7	N.A.	N.A.
1955-56	2.2	0.7	3.2
1960-61	3.2	0.8	4.0
1961-62	3.2	0.7	3.9
1962-63	3.1	0.8	3.9
1963-64	2.7	0.8	3.5
1964-65	3.6	0.8	4.4
1965-66	2.6	0.8	3.4
1966-67	2.6	0.7	3.3
1667-68	3.2	0.8	4.0
1968-69	2.4	0.9	3.3
1969-70	2.8	0.9	3.7
1970-71	3.3	1.0	4.3
1971-72	2.7	1.1	3.8
1972-73	2.4	1.0	3.8
1973-74	3.4	0.8	4.0
1974-75	3.2	0.6	4.6

*Include groundnut oil, rapeseed and mustard oil, coconut oil and sesamum oil, but excludes oils used for the manufacture of vanaspati.

Source: *The Oilseeds Journal*, July 1973 and *Records and Statistics*, Jan-March 1976.

According to reliable estimates hardly five per cent of the land under oilseeds is irrigated and it may not be possible to provide irrigation to these tracts for many years to come because of their scattered nature and uneven terrain. Thus, an increase in the production of oilseeds will depend upon the application of new methods in dry farming, protective irrigation and other techniques.

two-pronged strategy

The government of India proposes to take a series of measure to raise the productivity of land under oilseeds. For the development of traditional crops, a two-pronged strategy would be evolved. The area approach would aim at attaining a rapid growth in favourable years. An intensive programme for the development of oilseeds in selected districts would be drawn up. Special emphasis would be laid on the development of oilseeds under irrigation projects such as the Rajasthan Canal and Nagarjunasagar through proper crop-planning on a cross-commodity basis.

The problem-oriented approach would aim at ensuring predictable levels of production even in unfavourable years. This would be achieved through the supply of improved seeds, application of nitrogen, application of micro-nutrients and plant protection measures. The development of non-traditional areas would involve introduction of groundnut and sunflower in the Sundarban area of West Bengal.

It is not enough to concentrate on the development of a few traditional oilseeds. To bridge the gap between demand and supply, the development of non-traditional sources of oils as well as the promotion of various types of minor oilseeds would be necessary. An important step is to introduce a programme for increasing the cultivation of soyabean which contains 20 per cent oil. This will be of great help in making up for the protein deficiency in our diet. With more than 40 per cent protein soyabean is of immense dietary significance with over six per cent lysine, vitamin B-complex, thiamine and other nutrients. It is also a cheaper source of protein; one kg of soyabean flour contains protein equivalent of 12 kgs of milk, six kgs of rice, 3.5 kgs of eggs and two kgs of meat. It could be used for supplementing the traditional pulses in Indian diet.

The use of soyabean oil in vanaspati manufacture has increased over the years, the requirement being met mainly through imports. In 1974-75, 25,000 tonnes of soyabean oil was imported. Table III shows the soyabean oil imports over the years.

TABLE III

Import of Soyabean: 1969-70 to 1974-75

Year	(Rs lakhs)
1969-70	14,66
1970-71	22,70
1971-72	18,27
1972-73	5,02
1973-74	6,00
1974-75	12,00

Source : Compiled by the author from the Reserve Bank of India Bulletins, and *Records & Statistics*, Jan-March 1976.

The ministry of Agriculture has already sanctioned a scheme for soyanbean development in four states, namely, Madhya Pradesh, Uttar Pradesh, Maharashtra and Gujarat. Under the above scheme, following are the special incentives provided:

(a) 25 per cent subsidy on the cost of plant protection, chemicals and operated equipment.

(b) 25 per cent subsidy on the cost of improved seeds subject to a maximum of Rs 60 per quintal.

(c) Financial assistance up to Rs 500 per hectare in order to meet the cost of demonstrations.

(d) Staff at the field level in the state to ensure timely supply of inputs and to provide technical know-how to farmers.

In 1971-72, the government had introduced a crash programme for bringing 400,000 hectares of land under soyabean cultivation by the end of the fourth Plan; it was estimated to yield 500,000 tonnes of soyabean. Although no regular estimates of production of soyabean are being worked out, it is estimated that production from the area covered under the centrally-sponsored scheme for soyabean development was as follows :

	(Tonnes)
1971-72	13,750
1972-73	18,900
1973-74	70,000

Sunflower is an important oil-yielding crop of such developed countries as the USSR, Rumania, Turkey and Bulgaria. The USSR accounts for about 80 per cent of the world production of sunflower seed. The yield per hectare and oil content of sunflower seed are higher than those of soyabean. Therefore, greater stress should be laid on the cultivation of sunflower seed. It is a rich source of high quality edible oil (45-50 per cent) because of its non-cholesterol and anti-cholesterol properties. According to a centrally-sponsored scheme, sunflower cultivation was taken up over an area of 900 hectares during 1971-72 with the aim of building up the technical competence for launching a phased programme for rapid development on a commercial scale.

In India, with proper techniques of cultivation, yield up to two tonnes per hectare can be obtained. The estimated average yield from rain-fed areas is 800 kgs per hectare. Sunflower is a short-duration crop maturing in 90-100 days which could be introduced as a cash crop in multiple cropping patterns. Climatic conditions in the southern states are most favourable for this crop. Only 10 kgs of sunflower seed is required for one hectare and would yield one tonne seed. All efforts should therefore be made to popularise this crop among farmers through effective publicity. According to the original programme, the sunflower development scheme was expected to cover an area of 350,000 hectares and to yield a crop of 300 000 tonnes by the end of 1973-74 but achievement fell short and the area covered was only 320,000 hectares.

Recent demonstrations have shown that cottonseed oil is edible and has a good measure of protein content. In 1950-51, hardly any cottonseed was crushed in India. But since 1972 cottonseed oil is being used extensively in the manufacture of vanaspati. It increased from four per cent in 1959 to 21 per cent in 1972-73 accounting for 127,000 tonnes. The increased use of cottonseed oil has resulted in the saving of Rs 27 crores in foreign exchange. Today our country produces nearly two million tonnes of cottonseed a year. If oil could be extracted with modern machinery, it would be possible to get nearly 320,000 tonnes of edible oil.

In such countries as Japan and the USA, rice bran oil is used extensively as an edible oil. Rice bran is the coating

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Manager

removed from brown rice during the process of milling. Sandwiched between the outer husk and the inner white grain of rice is a golden brown cuticle known as bran which has 15 to 25 per cent oil.

Our country produces 44 million tonnes of rice. If all the bran, which constitutes six per cent of the weight of the grain, were recovered by solvent extraction the country could produce 400,000 tonnes of rice bran oil instead of 60,000 tonnes as at present.

However, the major impediment is the method used for polishing rice. By polishing it in a huller, the husk and bran get mixed up reducing the oil content to a mere three per cent, instead of 15 per cent, in bran alone. The existing method of polishing rice is depriving the country of 180,000 tonnes of oil for human consumption by the use of hullers. Therefore, the use of a more scientific method for polishing rice could also result in the production of 1.1 million tonnes of rice bran extraction with an export market worth Rs 22 crores per annum.

There are other minor oilseeds which are capable of yielding a large quantity of oil for industrial and other uses including soap manufacturing, which if fully exploited will reduce the pressure on edible oils. According to an estimate, the total potentiality of minor oilseeds is 6.6 million tonnes equivalent to a million tonnes of oil. These minor oilseeds include Mowha, Kusum, Karanja, Kapok, Sal, Nahor, Tobacco seed, Undi, Khakkan, etc. The current availability of oil from minor oilseeds is projected at around 70,000 tonnes in the context of the present shortage of vegetable oils. The need for organised collection and effective utilisation of minor oilseeds has assumed special significance.

The demand for vegetable oils by the end of the fifth Plan period is estimated to be 4.30 million tonnes. This includes the requirement of about 2.35 million tonnes for liquid edible use. The rest of the demand is on account of other purposes including a provision for export of castor oil as well as 75,000 tonnes of HPS groundnut. Against the total demand, it is projected that, through appropriate policies, about 870,000 tonnes of edible oil supply may be secured from various miscellaneous sources such as cottonseed, rice bran and coconut. This will leave the balance demand of about 3.5 million tonnes to be met by cultivated oilseeds. For this the required level of oilseeds production (five major oilseeds plus soyabean and sunflower) is estimated at about 12.5 million tonnes.

In order to achieve self-sufficiency in edible oils, a big step up in the production of oilseeds in the fifth Plan is projected. It is proposed to achieve the production of 55.0 million tonnes of oilseeds over the fifth Plan period, i.e. 1974-79 as against an anticipated production of 41.5 million tonnes in the course of the fourth Plan. For operational purposes, a base level production of 9.4 million tonnes of oi seeds is assumed and this is targetted t rise to 12.5 million tonnes at the end o the Plan period.

It is obvious that the target for the fift Plan period involves a far greater effo than what has been made in the past For achieving a growth rate in production of 5.8 per cent per annum, it i projected that a growth rate of about 2.4 per cent in area and 3.4 per cent in yiel will have to be sought. Table IV gives th crop-wise position.

Thus, the basic handicap of the edible oil industry is the low productivity of oilseeds. Therefore, the need of the hour is to augment the production of traditional oilseeds and to increase the utilisation of non-traditional oilseeds. Surely, active steps have already been taken to cultivate sunflower and soyabean on a commercial scale in our country. One of the reasons for a shortfall in production of oilseeds in the fourth Plan period is that the arrangements for the supply of seeds of improved varieties were found to be extremely inadequate. Even stagewise multiplication has been lagging in groundnut where the rate of multiplication is only 1.5. In the fifth Plan period, attention is proposed to be given to the production and distribution of seeds of selected varieties, particularly of groundnut and castor. The role of the National Seeds Corporation in respect of non-traditional varieties such as soyabean and sunflower will also be enlarged.

TABLE IV

Fifth Plan Targets of Production and Area of Oilseeds

Crop	Base year (1973-74)			Target of fifth five-year Plan		
	Area (million hectare)	Yield kg/hectare	Production (million tonnes)	Area (million hectare)	Yield kg/hectare	Production (million tonnes)
Groundnut	7.50	800	6.00	8.00	961	7.65
Rape-mustard	3.30	576	1.90	3.50	629	2.20
Sesamum	2.50	208	0.52	2.70	251	0.65
Linseed	1.70	276	0.47	1.70	288	0.49
Castor	0.40	350	0.14	0.50	460	0.23
Soyabean	0.10	700	0.70	0.43	930	0.40
Sunflower	0.35	857	0.30	0.93	970	0.90

Source : Draft fifth five-year Plan, 1974-79, Vol II, p. 21

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Britain and its monetary problems

E. B. Brook, London

The Labour party has recently urged the (Labour) government to nationalise the banks and insurance companies. The demand for nationalisation came at an unlucky publicity moment, says Mr Brook. The opposition (Conservative Party) had at the same time pleaded for scrapping social plans and spending which was likely to split the British nation—a split the like of which has never been witnessed before.

WINDOW ON THE WORLD

AT A time when it has been amply made clear at meetings preeceding the IMF session in Manila that the developing countries can expect little or no more assistance either in financial aid or in terms of trading from fellow commonwealth states it can scarcely be expected that overmuch sympathy will be lavished on Britain for having to turn to the International Monetary Fund once again for sizable financial help. It was only last June that the Group of Nine handed Britain a sum approaching in size the amount it is now seeking from the IMF as a temporary loan to stop a dangerous run on the pound and to enable Britain to set its financial house more in order by curtailing the issue of currency, tightening terms for loans and generally by making it clear to all the British that they were spending far too freely and earning disastrously insufficiently.

As the time for repayment of that emergency loan approaches, in early December, the British government seeks to draw the last tranche of its entitlement under IMF rules—a matter of $3,900 million—with no real prospect that anything approaching a truly more economical pattern of behaviour is thought of in London. It was the height of misfortune for the Labour government and party that this necessity became unavoidable when the party, at its annual session, was harassing the labour cabinet with motions to nationalise the banks and insurance companies. It was an unlucky publicity moment, also, to have this misfortune befall almost at the moment when the opposition Conservatives were bringing out their latest economic panacea of strict economy, scrapping social plans and spending—a programme that, however worthy, would, in present sentiments, split the British nation more direfully than it has ever been split before.

It was no consolation to Westminster, either, that its financial humiliations fell exactly at the time when the other big European debtors, the Italians, were obliged sharply to raise taxes, check money exports and even urge Italians to take the situation seriously. Twice this year have the British and Italian governments appeared before the World Bank, the European Community and the critical governments in Washington, Bonn and Zurich as unreformed defaulters or debtors with no visible signs of bringing their behaviour more closely to monetary orthodoxy.

The British press, majority Conservative, has naturally had a field day denouncing the socialist sinners and, more especially, forecasting what will befall. It is clear to an outsider that the monetary problems of the British Treasury far from distressing a sizable part of the nation give it spiteful pleasure in finding a very public stick with which to beat the British Socialists. It is unfortunate that loyalties and hatreds in Britain are polarised so sharply politically that the well-being of the country as a whole appears to be lost sight of.

vicious politics

This is an aspect of British politics that puzzles and dismays other Europeans and, more than current monetary misfortunes, makes them doubt the capacity of Britain to recover. British by its mutually vicious party politics wounds itself and checks its progress. The general European opinion is that Britain is united only for brief periods when it is in dire peril.

In fact, nothing very remarkable is likely to happen. Nothing will happen in a hurry and, by the time the IMF inspection is carried out the pound may well have steadied a little in value. There is not much doubt that the British will receive their loan and that for some time to come it will carry on with loans and repayments, probably with more pound crises until it can show that its North Sea oil is really as great an economic asset as the British government likes to believe it is. In any case, whatever the political colour of its government, this pattern is almost unavoidable. At least, the Socialists can justly claim that, with their scheme of the social contract, they have only half as many strikes as during the Conservatives' time and that there is a sizeable area of social content.

It is, perhaps, Britain's somewhat undeserved misfortune that times are difficult when, generally, the continenta neighbours are flourishing—although the French have a new stringency prog ramme that will prove unpopular as it takes a grip on the Frenchman's standard of living. The French do not object to economising, but prefer individual initiative in that exercise to economic rigour at government behest.

Apart from the slightly over-advertised British and Italian misfortunes, the IMF meeting was held against a background of some significantly improved economic trends. Generally there was more hope and even partial satisfaction at the meeting that has generally been the case. There is at least hope of significantly more national majority government in Africa with the Rhodesian administration at last obliged to admit the validity and inevitability of African rule. The shocks of 1973 over oil prices, though still reverberating, have lost much of their force. The severity of inflation in many countries is slowly decreasing. Even in the countries trading with severe handicaps there is some expansion. In Geneva the long-drawn effort to reduce further obstacles to free trading continue and from time to time show evidence of substantial progress.

Generally the problems that the IMF had to discuss and will need to discuss again, perhaps often, are those of continuing self-regard by the fully industrialised states in their commerce with those developing—the North-South talks notwithstanding. At the same time, the Lome agreement is of undeniable benefit to a number of African and Carribean countries, a fact emphasised by the readiness of much private central European capital to invest in enterprises in those economies. Although the follow-up to the UNCTAD meeting last summer in Nairobi is disappointingly slow and uncertain there has been progress though of a type which needs steady prodding to become more of a reality.

The problems that persist are not now so much of commercial opportunity or fair terms—though these need constant vigilance—as of monetary and fiscal policies that have earlier produced unsustainable global boom and severe recessions, high inflation and even higher unemployment that follows when the boom fails. The heavy debt incurred by loan interest servicing that characterises many industrialised but still industrially developing countries continues to be not only a scandal but a dangerous point of weakness in the world commercial pattern.

The greatest cause for optimism is the fact that the volume of world trade has grown this year to about 10 per cent above that of 12 months ago. Industrialised countries have learned that trade prices must be kept in check and ex-

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Indian industrialists in Federal Germany

N. K. Barooah, Cologne

A ten-member delegation of industrialists, all members of the Calcutta Chamber of Commerce, led by Mr R.P. Mody, the Chamber's president, was in the Federal Republic of Germany recently.

The delegation had discussions with a number of firms and organisations in Dusseldorf, Bocholt, Leverkusen, Cologne, Bonn, Frankfurt and Hamburg. Its task was to study the possibilities of Indo-German collaboration in some new items; to explain India's export potentialities; and to discuss the possibilities of Indo-German joint ventures in third countries.

On the subject of extension of Indo-German collaboration the delegation had a list of 64 items under various heads, such as, chemical and allied products; paper products; minerals and metals; and electrical, metallurgical, industrial and other items.

An interesting item on the agenda in regard to the promotion of Indian exports to West Germany was the idea of transferring complete plants —new or second hand—to India for re-export of entire or part of the manufactured products to West Germany or to other countries through their German counterparts. This proposal is bound to attract German attention, for the German experts, too, have been thinking for some years that such transfer of machineries to the third world countries would be most ideal for the labour intensive projects. The subject of India supplying castings, forgings, machine components and parts etc. to West German principals for consumption in their plants was also discussed.

In regard to joint ventures in third countries in various industries, the delegation was looking for the possibilities of India participating in Federal Germany's projects in other countries. For example, if a German firm takes on a large construction project in the Middle-East, it would be highly profitable and economical for the German firm to obtain certain supplies and trained manpower from India.

Thus India's abundant supply of skilled manpower and huge capacity for casting and fabricating a wide variety of items including sophisticated ones, would be utilised for mutual gain.

The delegation, which according to the Indo-German Chamber of Commerce in Dusseldorf was the first of the three planned, had been most welcomed by the German partners. As a spokesman of Cologne's German Development Company (DEG) said, the delegation has brought vitality to the almost deadening 'communication line' with India. The company, an entirely government-financed concern engaged in medium-sized industrial projects in the developing countries, has three projects in India established as early as 1966-67. It has not got any further enquiries from India ever since.

The further growth of Indo-German collaboration projects would certainly depend — as such things usually do - on the personal contacts between the interested parties in the two countries. The delegation, which came in the wake of India's recent economic breakthrough, has prepared the ground for it by explaining to the would-be German partners India's favourable 'new climate' for foreign investment.

change rates kept flexible if world trade is to be sufficiently insulated from the effects of a few individual instances of rapid domestic inflation.

The necessity for continuing this trading caution is a matter of major concern to the IMF. It is concerned no less to act on the growing realisation by the industrialised states that the $120 billion debt burden carried by the least developed countries which are not oil producers is an imbalance dangerous to world commerce and stability. It a is critical issue before which the temporary financial perplexities of west European states is little more than the ailment of a wealthy man compared with the struggles for existence of a destitute neighbour.

USA and the new international monetary system

William Simon

The article consists of excerpts from the address by US Secretary of the Treasury, Mr William Simon, to the annual meetings of the World Bank and the International Monetary Fund held recently at Manila, the Philippines. He held out the assurance that the USA would continue to give strong support to the international development banks and pleaded that the American commitment to the IDA and the World Bank should not be questioned. Referring to the world-wide demand for capital in the period ahead, he said that countries which wished to attract investment capital would find that establishing the proper domestic climate was essential. Those countries which raised impediments to capital flows would simply not be able to meet the competition and would thus be losers in this race.

TOGETHER WE have constructed an international monetary system that is sound in structure, right in approach, and complete in a constitutional sense. That system remains firmly centred on the IMF, and firmly based on the liberal trade and payments philosophy of Bretton Woods. It remains a global system in which all members subscribe to the same standards of responsible international behaviour, and in which all members are treated uniformly. We have a system which has flexibility and resilience, and which can function well in the years ahead without further structural amendments.

We have changed, and changed profoundly, both monetary doctrine and the structure of the monetary system, in a way which better conforms to present objectives. Three fundamental alterations can be highlighted—the approaches toward adjustment, exchange stability and gold.

We have embraced the concept that stability will result only from responsible management of underlying economic and financial policies in our countries. We see more clearly that market forces must not be treated as enemies to be resisted at all costs, but as the necessary and helpful reflections of changing conditions in a highly integrated world economy with wide freedom for international trade and capital flows. We recognise—as proved by events in many countries in recent years—that without stable underlying economic and financial conditions, no amount of exchange market intervention will assure stability, but that with stable conditions, little or no such market intervention would be needed.

The new system thus calls for each of our nations, large and small, developed and developing, to concentrate on achieving sound non-inflationary economic growth. There is no other answer to our desire for stability. Also, we must each permit our performance in domestic policy to show through—to assure that government efforts to resist or moderate the operations of market forces do not distort our relative economic positions and become a source of instability once again. This applies of course to avoidance of the use of controls over international trade and payments, for long a basic objective of the Bretton Woods system. But it also applies as much or more to governmental action to restrict the operations of market forces through the exchange rate mechanism.

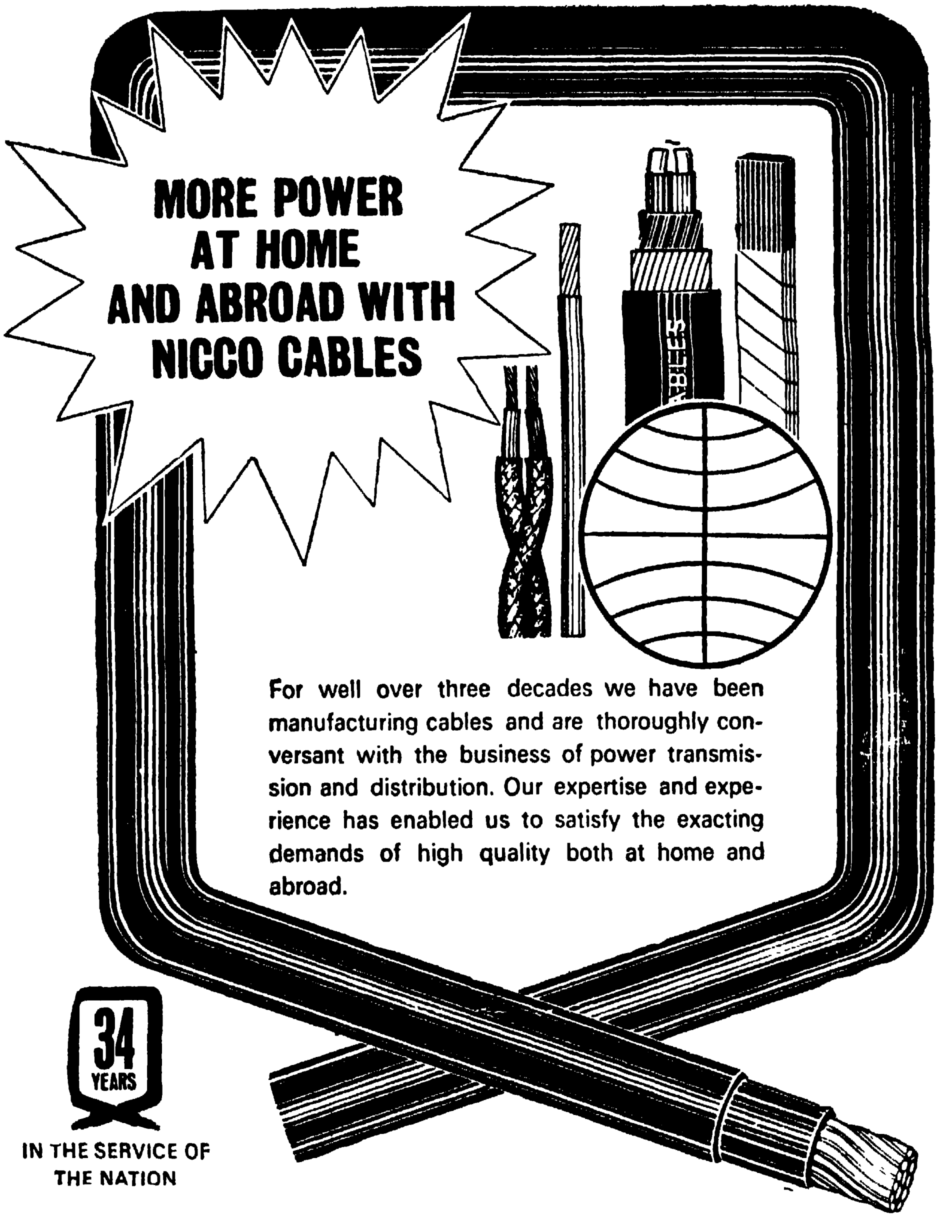
Our historic decision to phase out the monetary role of gold and to provide for a greater role for the SDR, also is a source of strength in the reformed system. By doing so, we eliminate a major element of instability in the monetary system.

towards realism

Removing gold from the centre of the system, eliminating the requirement that gold be used in IMF transactions and agreeing to initiate the process of disposing of IMF gold, the G-10 agreement to avoid pegging the price of gold or increasing total holdings are all steps towards realism, and a more rational as well as stable monetary system.

The Fund should, in its surveillance of members' exchange rate policies, proceed by a careful and evolutionary approach. It should cultivate more fully its consultative processes, and refine its procedures for monitoring countries' behaviour. Rather than adopting a sweeping preconceived, rigid economic code, we need to construct through a case-by-case approach a common law based on case history. If we proceed in this manner, we will be able to delineate broad principles of behaviour that can be elaborated on the basis o experience. The development—and the acceptance—of these principles cannot be forced. But over time workable code can be expected to emerge, through consultation with members and through th monitoring of their activities.

The adjustment process is another area in which action is imperative. The inter



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national financial system has performed the task of recycling funds from surplus countries to deficit countries with efficiency. The elasticity of our financial system has provided us with the time to correct structural maladjustments. This time must not be wasted. Recycling of funds from surplus countries to deficit countries can continue only to the degree that countries borrowing to finance external deficits can obtain credit. This in turn can only persist so long as leaders remain confident that borrowing countries can repay specific obligations on schedule and service their overall debts.

frank admission

Frankly, we have not made sufficient progress toward adjustment. Although there have been cases of countries adjusting to higher oil prices and global recession, a substantial number of countries have preferred to delay adjustment and borrow abroad to finance consumption, and have thus continued to run the large external deficits which first appeared three years ago.

Unless there is some dramatic change in the outlook, the world payments pattern next year will strikingly resemble that of 1974—the first year of abnormally high oil prices. Indeed, if the oil producing nations take, as is now rumoured, the dangerous step of again raising the price of oil, it would seriously aggravate an already troublesome economic and financial situation. Even without an increase in oil prices, the aggregate OPEC (Organisation of Petroleum Exporting Countries) surplus in 1977 will again be 50,000 million dollars or more, while deficits in the industrial OECD (Organization for Economic Cooperation and Development) countries would be of the order of 35,000 million dollars, and the oil importing developing countries in the range of 12,000 million to 15,000 million dollars.

As debt grows to finance the continuing deficits, an increasing number of countries which have delayed adjustment will approach limits beyond which they cannot afford to borrow and beyond which prudent creditors will not lend to them. This is a serious matter and it cannot be ignored by lenders or borrowers.

There is still time to act, but we must be cognizant of the choices. One unrealistic possibility that has been mentioned involves widespread debt forgiveness or rescheduling. In reality, this is no choice at all. From time to time circumstances may require a debt rescheduling on the part of an individual country. But a wide-scale approach of this type involving a number of countries, or even several in a group, can only result in substantial damage to practically all international borrowers. Lenders would regard—I think appropriately—such an approach as *ipso facto* increasing the risk attached to new lending operations. The result would inevitably be a reduction in the availability of private credit to broad categories of countries, a reduction that would inevitably have a widespread contractionary effect on economic activity.

Another dangerous alternative that has been mentioned by some would be to create large amounts of new official liquidity—a kind of international monetary printing press. Ironically, this would have the same effect—it would ultimately be contractionary, although in the first instance it might have an expansive effect. Eventually, and probably with more speed than many expect, the creating of excessive international liquidity, would destroy the stabilisation efforts which many of us have underway. For, in the United States, and I believe in many other countries, we have found that a high rate of inflation and prosperity are exclusive.

the third course

The third course—and the only one which I believe holds the promise of success—involves a combination of adjustment by individual countries, some slowing in the rate of private international lending and moderate provision of official financing on a multilateral and conditional basis. But it is only effective when linked with meaningful programmes of domestic, economic and financial stabilisation. There is no substitute for such adjustment, and countries that do adjust can look forward to durable, non-inflationary growth. The IMF can contribute to this process of adjustment. The fund has both the expertise and the financial resources to assist in the development of overall stabilisation programmes and provide conditional credit to bridge the time from the start of an individual country's stabilisation effort to its favourable end results.

Our approach to the international monetary system has placed responsibility for the achievement of international monetary stability on the domestic policies pursued in each country. Our approach to economic development also places primary emphasis on the policies and efforts of each individual developing country. At the heart of our policy is the concept of shared prosperity. This concept involves a mutually beneficial approach to development in today's interdependent world. In application, this approach means not only direct aid but, most importantly, a liberal trading and investment system.

We do not regard indirect resources transfer schemes—such as generalised debt rescheduling, price indexing and commodity funds—as the best means to provide resources to the developing world. To the contrary, such proposals are likely to lead to inefficiences and distortions.

commodity policy

With respect to commodity policy, we have stated on many occasions that we favour a case-by-case approach to the problems of individual commodities, and in particular a careful examination of the applicability of the buffer stock approach. Specifically we must ascertain whether the operation of a buffer stock is likely to lead to improved market operations or to a structurally higher level of prices for the commodity involved.

If it leads to structurally higher prices it helps a few countries, including those developed countries that are producers, but it hurts the larger numbers of consuming countries, both developed and developing. Even in the case of developing countries that produce the commodity, the "help" provided has a high cost. Funds used to finance the build-up in inventories could have been used for development purposes. To the degree that an artificial price level results, incentives to develop and use substitutes increase. Perhaps most important, the producing countries allocate labour and capital to production on the basis of an artificially high and unsustainable price.

In the area of direct resource transfer, the United States has long been in the forefront of those assisting in the economic and social progress of the developing world. Much of what we have done has been governmental--through our bilateral as well as multilateral aid programme such as IDA (the International Development Association of the World Bank).

I can assure you that the United States will continue its leadership in this area. Not only will we continue, but we will strengthen our bilateral aid programmes, and we will continue our strong support for the international development banks. Our commitment to IDA and to a financially strong IBRD (World Bank) cannot be questioned. With respect to the regional banks, I am pleased that we have just received funds from the Congress to join the African Development Fund. We are not participating in a major new replenishment in the IDB (Inter-American Development Bank). Here in Manila—the home of the Asian Development Bank—it is particularly gratifying to reiterate US support for that institution. I was pleased to note, in a recent development committee report, that loan commitments in all these banks will increase from $8,300 million to about $12,600 million from 1975 to 1980, or by 50 per cent.

the US partnership

The American partnership with developing countries and development prospects of all countries depend even more importantly on our trade and investment links. The worldwide demands for capital in the period ahead will be massive and the competition fierce. Countries that wish to attract investment capital will find that establishing the proper domestic climate is essential. Countries which raise impediments to capital flows will simply not be able to meet the competition. The experience of many countries illustrates how this can properly be done. Countries and peoples as varied as the Taiwanese, the Brazilians and the South Koreans have dramatically raised their living standards and expanded their economic base. They have done so not only because of the amount of help they received, but because of the care and self-discipline they used in putting that help to work.

We must all recognize that individual national economies can best achieve the goal of sustained non-inflationary growth in a free and open international trading system. We need an open world market to allocate raw material and capital resources efficiently in order to supply abundant goods and services to all of our people at non-inflationary prices. All the aid we can give will not help if it does not foster a prosperity shared by all. Achieving such a prosperity will require the close cooperation of both industrial and developing nations. We must, therefore, join together aggressively in the multilateral trade negotiations to take concrete and significant steps to eliminate tariff and non-tariff barriers to trade.

an able guide

Economic policies in developing countries with widely different economic regimes—have greatly benefitted not only from the financial support but also from the advice, encouragement and technical expertise of the World Bank Group. To the degree that these institutions are successful in helping to bring about sounder, more consistent, and more effective domestic policies in countries to which they are lending, they multiply their effectiveness as development organisations. Strong and clear US support exists for the institutions which comprise the World Bank Group.

In looking at recent developments among the member institutions of the Group, I am greatly pleased by the agreement providing for a capital increase for the International Finance Corporation (IFC). The key role of the private sector in the developing countries underscores the importance of this proposal.

As President McNamara pointed out the poorest countries of the world have financed almost 90 per cent of their development investment out of their own meager incomes. The capital increase will enable the IFC to expand greatly its ability to encourage private capital flows in these poor countries. As we all know, IFC's participation in projects has a considerable multiplier effect—four dollars for every one dollar of its own—through the associated private investment. The capital increase implies about $ 5,000 million in cumulative commitments over the next 10 years in the private sectors of the developing world.

I am pleased also by the agreement reached on a selective capital increase for the World Bank. The Bank is a unique financial institution—publicly capitalised but privately financed for the major portion of its lending operations. While the paid-in and callable capital from its member governments are important assurances of solvency to its creditors, the Bank is able to operate actively and extensively on its own footing. In our view, the excellent reputation of the Bank and its sound financial condition give it the capacity to raise very substantial sums in private capital markets for relending to its borrowers.

I would like to turn now to the question of the future of the Bank, which I believe quite properly is now on the international agenda. In the future the Bank might well play a role of decisive importance by helping to mobilise substantially increased long-term development credits from the private sector.

decisive role

The United States in no sense envisages a static role for the Bank, which we believe can and should remain the leading development institution in the world. We are prepared to take an active and constructive part in a frank dialogue on the future role of the Bank. I would urge that in considering the Bank's place in a world that is changing rapidly. Our intellectual net be cast wide enough to capture significant new directions of bank activity. In this process, we are committed to doing everything we can to assure that the Bank meets the challenges of today and tomorrow. I am confident that by addressing the important questions forthrightly, the Bank can assure itself for many years to come of a continuation of the leading role in the international cooperative effort to promote growth and progress in developing nations.

Also, the future of the International Development Association is of critical importance. Now that our Congress has acted favourably on our fiscal 1977 appropriation request for IDA, the United States is in a position to participate actively in negotiating an IDA-US agreement. I am confident that with goodwill and understanding these negotiations can be successfully concluded during the next year.

TRADE WINDS

Committee on Company Affairs

THE CENTRAL government has constituted a five-member committee to advise the Company Law Board and also the government on matters arising out of the administration of the Companies Act, 1956. The members of the committee are: Mr T.S. Santhanam, industrialist, Madras ; Mr Lalit Bhasin, advocate, Supreme Court of India; Mr P. M. Narialvala, president, Institute of Chartered Accountants of India; Mr M. Sreenivasa Rao, cost accountant, Bangalore; Mr K. Ganesan, chartered accountant, Calcutta. Section 410 of the Companies Act, 1956, provides for constitution of such an advisory committee, and a notification to this effect has been published in the Gazettee of India.

Alkaloid Plant

The most modern government Alkaloid plant at Neemuch in Madhya Pradesh, an undertaking of the Department of Revenue and Banking, which went into production on October 6, will not only save the much-needed foreign exchange but also earn exchange in due course. The plant was inaugurated by Mr Pranab Mukherjee, minister of Revenue and Banking recently. With the commissioning of the Neemuch plant, India would be able to meet in full demand of the Indian pharmaceutical industry for various opium alkaloids and their finished salts. India will also export these alkaloids to other countries for medicinal purposes after the plant starts working second shift. The plant will process Indian raw opium for producing pain-relieving and life saving drug constituents.

Indigenous Technology

Built at a cost of about Rs 2.4 crores, it is the only modern alkaloid plant of its kind in the country. The plant is based on entirely indigenous technology evolved by the National Chemical Laboratory, Poona, with the assistance of the Chemical Services of the Department of Revenue and Banking. The entire machinery and equipment have been produced in India. The chemical process and the engineering design of the plant are fairly complicated and the successful commissioning is a tribute to the ability and skill of Indian scientists and engineers. The plant was set up by the National Industrial Development Corporation on a turnkey basis. It can manufacture nearly 8,700 kgs of various alkaloids and their finished salts in a single shift.

The opium alkaloids were being manufactured as a government monopoly in the government alkaloid works at Ghazipur, set up during the Second World War as a make shift arrangement to serve the emergency needs of the eastern theatre of war. The production in Ghazipur plant being insufficient for country's requirement, the Neemuch plant has been set up.

Development Council for Cement Industry

The government has constituted a development council for the cement industry which will act as a forum for focussing attention of the industry as well as government on the problems faced by the cement industry. The council consists of 30 members which includes representatives of industrial undertakings respresenting the interests of the owners as well as the labour, persons having special knowledge of the industry and also of consumers. The tenure of the council will be two years.

The broad terms of reference for the council will relate to the following activities : (a) Targets for production, coordination of production programmes and review of the performance from time to time, including fuller utilisation of installed capacity; (b) Long range perspective plans including technology, which will identify gaps and suggest corrective action, with emphasis on increased self-reliance; (c) Optimum utilisation of materials and components to ensure materials conservation; (d) Promoting standardisation of products, components and materials; (e) Recommendation in regard to promotion of exports; (f) Pollution control measures including re-cycling of industrial wastes. (g) Production of ordinary and special cements utilising industrial wastes like fly ash, blast furnace slag, etc.

Cost of Hydro Projects

The ministry of Energy has appointed a committee to recommend improvement in procedures for investigation and implementation of multipurpose and hydro-electric projects with a view to eliminate over-runs in cost and time. The ministry of Energy has been concerned about the cost escalation of hydro-electric power projects after investment decisions are taken and has been feeling the need to contain project costs within estimates and the construction work to be completed on time.

The committee will be headed by Mr Y. K. Murthy, chairman of the Central Water Commission. The other members of the committee are : Messrs K.S. Subrahmanyam, member (HE) of Central Electricity Authority; E. C. Saldhana, member (P&P) of Central Water Commission; V. B. Eswaran, adviser (Energy) to the Planning Commission; B.N. Baliga, chairman of UP State Electricity Board; R. K. Kaul, joint secretary, ministy of Finance; S. N. Roy, chairman-cum-managing director of National Hydro Electric Power Corporation; V.K.S. Varadan, director-general of Geological Survey of India; and Mrs Otima Bordia, joint secretary, Department of Power.

Efficient Utilisation

The committee has been asked to work out the details of preparatory work necessary for obtaining sanction of multipurpose and hydro electric projects and also the procedure for according such sanction. The committee will also identify the contents of detailed project report and would indicate the extent to which investigations should be carried out, designs finalised and estimates worked out for materials, equipment and manpower before an investment decision is taken. The committee will also recommend the extent to which infrastructure activity should be undertaken before an investment decision on a project is taken. It will also suggest changes in funding and administrative arrangements to avoid time and cost over-runs. The committee is expected to submit its report within six months.

U. K. Bank Rate

The Bank of England has pushed up its minimum lending rate to a record 15 per cent in an effort to curb domestic spending and bolster the pound sterling. The two per cent increase, which will set the pattern for all other borrowing rates in Britain, was accompanied by an order on commercial banks to place more of their deposits in a frozen central account. Treasury officials stated that the Bank of England's measures were intended to hold down the amount of money in circulation so as to keep up the fight against inflation.

Oil from Coal

An ambitious plan for producing oil from coal has been envisaged in Coal India's 10-year plan. The corporate perspective plan for the entire coal sector finalised by CIL after 10-month long deliberations, has been submitted to the Energy ministry. The production of oil from coal has been included in the plan as a major research and development scheme with an investment of Rs. 400 crores. CIL has proposed this plan as a modular type to be fitted with the national plan.

The finalised coal plan aims at increasing coal production from 90 million tonnes in 1975-76 to 183.34 million tonnes in 10 years. The total capital investment proposed by CIL for the coal sector is Rs 3,355 crores, including Rs 2,092 crores for mine development.

The perspective plan has also kept in mind the technological challenges that lie ahead in the development of coal mines and utilisation of coal. The proposals for increases in coal production have been made keeping in view additional 39 million tonnes required for power generation, 16 million tonnes for steel making and 35 million tonnes for others. CIL has made necessary provisions to increase the offtake to the domestic sector, brick burning, small industries and increasing exports. The plan has also kept in view the Energy ministry's decision to regard coal as primary energy resource.

CIL has forecast that coal offtake to the domestic sector will increase from 3.8 million tonnes to 11.5 million tonnes in 10 years followed by the brick kiln industry's consumption increase from 3.7 million tonnes in 1975-76 to seven million tonnes. The plan has also estimated that coal export will increase from 0.5 million tonnes in 1975-76 to five million tonnes in 1985-86.

FICCI Team for S.E. Asia

A high-level FICCI delegation led by its president, Mr M.V. Arunachalam, left for Kuala Lumpur on October 7, 1976. The delegation, visited Malaysia, Philippines and Singapore, to explore the possibilities of expansion of two-way trade and the scope for further promotion of joint industrial ventures. It also examined the further scope for techno-economic cooperation. The delegation comprised of Mr D.C. Kothari, president-elect of the Confederation of Asian Chambers of Commerce & Industry and M/s Harish Mahindra, K.N. Modi, Harshavadan Mangaldas, and P. Chentsal Rao, secretary-general FICCI.

The delegation also attended the conference of the Confederation of Asian Chambers of Commerce & Industry, held in Manila from October 11 to 15, 1976. The FICCI president was one of the guest speakers at the summit meeting of Asian businessmen, and delivered a key-note address on "The Role of Developing Countries" under the main theme "Developed Asia". The other subjects discussed at the conference were : (i) Role of Developed Countries; (ii) Role of Oil Producing Countries; (iii) Trade with Centrally Managed Economies; and (iv) Employment Strategies.

Collaboration with South Korea

An economic mission from the Republic of Korea expressed keen interest in launching joint ventures with India specially in the fields of engineering items like machine tools for export to south-east Asian countries. This was conveyed to the union Commerce minister, Prof D.P. Chattopadhyaya when the recent mission led by Dr. Sung Jae Kah, executive member, President's Council of Economic and Scientific Advisers. The delegation came to this country with a view to exploring extensively the possibilities of furthering of trade and economic cooperation between India and the Republic of Korea.

Welcoming the proposal, the Commerce minister pointed out that while India and South Korea could offer a basket of product or even projects to the countries in the south-east Asian region, it was upto these countries to select some according their requirements. He also suggested joint ventures in the fields of deep sea fishing and sericulture where India could take the benefit of expertise of South Korea in these lines. Prof Chattopadhyaya added that India and South Korea could also collaborate in various projects in the middle-east. He pointed out that South Korea could profitably take material and equipments from India for her projects in the region because of the geographical proximity of India to middle-east.

Trade with Oman

Possibilities of increasing trade and economic cooperation between India and Oman were explored when a high-level business delegation from that country arrived here. The Oman delegation, sponsored by the chamber of commerce and industry of that country, held discussions with senior officials of economic ministries and representatives of trade and industy. During its three-day stay here the delegation also visited important industrial establishments in Faridabad and other complexes around the capital.

Short-Term Loan for Bihar

The union government has released Rs 20 crores as short-term loan to Bihar government for agricultural inputs for the rabi season. The enhancement of the short-term rabi loan from Rs 9 crores to Rs 20 crores follows the talks which the union minister of Agriculture and Irrigation, Mr Jagjivan Ram had with the chief minister of the state, Mr Jagannath Mishra, in Patna when the former made a tour of the flood-affected areas.

The recent floods in south

Bihar having caused heavy demage to kharif crops and otherwise destroyed property, the farmers, it is felt, would need special assistance to enable them to make the required investments for the rabi crops.

The amount released by the union government will be used for giving loans to farmers for purchase of inputs such as fartilisers, seeds, pesticides etc. Orders have been issued for forthwith release of the amount so that there is no delay in making it available to the farmers. This brings the total short-term assistance for agricultural inputs to Bihar in 1976-77 to Rs 26 crores. Last year, Bihar was given a total of Rs 19 crores in view of the unprecedented floods, but in the previous three years this kind of assistance had ranged between Rs 5 crores and Rs 10 crores.

Sugar for November

The government has ordered the release of 330,000 tonnes of sugar for November, 1976. It will consist of 205,000 tonnes levy and 125,000 tonnes of free sale sugar. The release will be effective for sale and despatch by the factories from the October 23, 1976 and will be valid upto November 30, 1976.

Bank of Baroda Retailer Week

Bank of Baroda is observing the "Retail Traders Week" throughout the country commencing from October 11. This is a part of October—'Action Month'. Retail traders play an important role in distribution and marketing system of essential commodities. They come in direct contact with the consumers who make their daily purchases from them. It is with theaim of strengthening the very base of retail traders, Bank of Baroda has come forward to help them financially.

The Bank will provide credit facilities to the extent of Rs 25,000 per party of small retailers at an interest rate of of 3 per cent OBR with a minimum of 11 per cent per annum upto Rs 10,000. In case the amount of loan is over Rs 10,000 the rate of interest will be a minimum of 13½ per cent per annum.

Production in Paper Industry

The production of various varieties of paper and paper board during the first-half of 1976 was 4.27,026 tonnes. During the period January to June 1976, 257,859 tonnes of writing and printing paper, 90,198 tonnes of wrapping and packaging paper, 68,574 tonnes of paper board and 10,169 tonnes of special papers were produced by the industry. The latest figures available are for July 1976, which show a total production of 77,526 tonnes. This compares favourably with the monthly average production of 70,000 tonnes during the previous six months. The total installed capacity in the existing paper mills stood at 1,137,830 tonnes per year as on August 1, 1976.

Names in the News

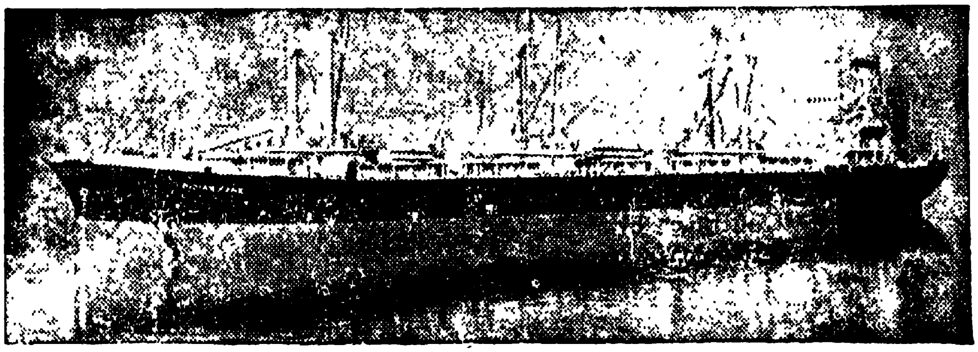
Mr M. A. Wadud Khan, Secretary, Department of Steel in the ministry of Steel and Mines and Chairman of the Steel Authority of India is proceeding on three months leave. He will be relinquishing office at the end of his leave.

Mr R. P. Billimoria has been appointed Chairman of the Steel Authority of India Limited (SAIL) to succeed Mr Wadud Khan. Mr Billimoria, was personnel director of SAIL since its inception. He has been associated with steel industry both in the private and public sectors for the past 32 years· He is also chairman of the National Mineral Development Corporation (NMDC) and director of the Hindustan Steel Limited (HSL), Indian Iron and Steel Company Limited and India Firebricks and Insulation Company Limited.

Mr S. D. Prasad, senior joint secretary in the Steel ministry, has taken charge as Secretary of the Steel Department. Mr Wadud Khan was chairman of SAIL and secretary of the Steel Department.

Mr S. S. Puri, additional secretary in the ministry of Civil Supplies and Cooperation, has been appointed as Textiles Secretary in the Commerce ministry. A separate department for textiles has been created last year in the ministry to look after the problems of the textile industry.

Dr N. C. Pant of the Indian Agricultural Research Institute (IARI) in New Delhi has been called to head the prestigious Commonwelth Institute of Entomology (CIE) in London. This is the first time an Indian scientist is appointed as director in the 35-year history of CIE, which is one of the three major institutes under the Commonwealth Agricultural. Bureau The directorship is a permanent position.



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COMPANY AFFAIRS

Ramon and Demm

IN SPITE of recession and fall in demand of automobile components, Ramon and Demm's sales during the year ended March 31, 1976 was Rs 3 crores as against Rs 3.35 crores in the preceding year. Production of the company during the year was restricted at 784 tonnes as against 1003 tonnes in 1974-75. The company, at present, has on hand original equipment orders worth Rs 5.90 crores. In addition, the company is negotiating with parties for original equipment orders worth Rs 1.98 crores. Thus the share of original equipment sales to total sales will increase from present 30 per cent to 50 per cent in the accounting year 1976-77. The increase in original equipment sales has enabled the company to plan the production in advance and arrange for utilisation of the plant capacity to its maximum possible.

Expansion Plan

It is hoped that, after the completion of the expansion plan, which includes the installation of special purpose latest machines, the capacity to manufacture differential gears will increase substantially and which, in turn, will increase the sales of the company. The company's applications for the additional loan are under active consideration of the financial institutions and it is hoped that this loan will be sanctioned soon.

On the export front, the company has made slow but steady progress. The company has orders for export on hand. These could not be executed so far, as its expansion programme has been delayed. After implementation of the expansion, the company will gear up export activities which will help the company to utilise expansion capacity to the fullest extent.

Garware Nylons

The year ended March 31, 1976 was a record year for Garware Nylons Ltd with a turnover of over Rs 26 crores and the gross profit touching a figure as high as Rs 3.26 crores. The total sales realisation during the first six months of the current year were of the order of about Rs 15.20 crores as against Rs 12.78 crores for the corresponding period of last year. Despite substantial increase in the sales turnover, the working results of the company have been affected by recession faced by some sectors of the textile industry and the margins have been eroded by the increase in the cost of various inputs.

It is also heartening to note that the company has been exploring several other avenues with a view to broad-base the scope of its activities as also to maximise its profitability. With this end, the company is in the process of stepping up the capacities of nylon and polyester yarn plants which would naturally improve the economics of its operation. The company is also planning to deversify its activities by entering into new fields. Keeping this in view, the company now proposes to set up a wholly-owned subsidiary to undertake a shipping venture with an investment of about Rs 1.5 crores.

Ranbaxy Laboratories

Ranbaxy Laboratories has already received an industrial licence for the manufacture of a broad spectrum antibiotic 'Ampicillin'. The process know-how for this drug has been developed by the research and development department of the company and the manufacture of this drug is included in the manufacturing programme for 1977. Its application for the conversion of the letter of intent for the manufacture of bulk chloroquin phosphate a very important antimalarial drug—is pending with the government and its manufacture is also planned during 1977. Applications for the manufacture of few other bulk drugs are also pending with the government. In about three years time, around 25 per cent of company's turnover should come from bulk drug activity.

Bulk Drugs

While bulk drug activity continues to receive considerable emphasis, the company at the same time is examining other areas for further broad basing and diversifying its activities commensurate with technical abilities. After considerable investigation the company decided to enter the field of laboratory chemicals. This area was found to be a natural extension of the company's expertise in production and marketing of quality drugs and chemicals for which the government's approval has been obtained, and the company hopes to enter the market around the middle of 1977.

Another major and significant contribution of the company's long term growth and progress has been its continued emphasis on research and development. Though the company is comparatively new in this activity, it has, already, some very good results to its credit. In 1975 the company has spent over one per cent of the turnover on research and development and this year it will be 50 per cent more.

The company's research activity is predominantly and primarily directed to production of new drugs which are not manufactured in the country and are being imported in large quantities causing considerable drain of scarce foreign exchange resources.

Mahindra and Mahindra

International Tractor Company of India (ITCI), one of the biggest tractor manufacturers in the country, will merge with Mahindra & Mahindra Limited (M & M), manufacturers of jeeps and trucks. This was announced, at a press conference recently, by Mr Keshub Mahindra, chairman of both M & M and ITCI.

Hailing this as "one of the most significant developments in the automotive industry in recent years", Mr Mahindra said, "the merger of these two major manufacturing units will be in national interest, and also benefit the two companies and their shareholders."

The directors of M&M and ITCI at separate meetings on October 4, 1976, approved of a scheme of amalgamation of ITCI with M&M. This would be subject to the consent of the central government under the MRTP and Companies Act, the financial institutions concerned, shareholders of the two companies, the Bombay high court and such other approvals as may be necessary.

The appointed date for the proposed amalgamation will be no later than Octoher 1, 1977, or such other date as may be agreed upon by the companies' directors at subsequent meetings.

Under the scheme, every holder of three equity shares of ITCI of the paid-up value of Rs 10 each will be entitled to receive two equity shares of M & M of the paid-up value of Rs 10 each. For every one preference share of ITCI of the paid-up value of Rs 100 each, the holder will be entitled to receive one 9.3 per cent cumulative preference share of Rs 100 in M & M.

Increased Capacity

The merger, by utilising the installed capacity of M & M would enable ITCI to increase production from the existing 10,000 to 15,000 tractors per annum. The technologies being similar and the products of both companies being complementary, their availability to marketing organisations, on all-India basis, would strengthen them immeasurably.

As the financial results of the merged company are expected to be favourable from the start, Mr Mahindra stressed, the interest of the M & M's shareholders would be safeguarded from the outset. Unless something unforeseen takes place, he said the shareholders can look to the continuance of the steady dividend policy that has characterised the operations of M & M.

Furthermore, he pointed out, the combined operations will so change the profitability of the company, that additional benefits will flow to the shareholders of M & M.

Hindustan Organic Chemicals

Hindustan Organic Chemicals Limited, a government of India enterprise at Rasayani in Maharashtra has earned a net profit of Rs 225 lakhs during the year ended March 31, 1976 and has once again paid to the government of India an amount of Rs 48.41 lakhs as dividend for the year.

The year 1975-76 was, on the whole, satisfactory for the company. Production registered a 14 per cent rise from 49,809 tonnes in 1974-75 to 56,784 tonnes in 1975-76. Sales rose marginally by three per cent over the previous year from Rs 14.02 crores to Rs 14.42 crores. This was due to reduction in prices of many of the company's products effected from July 1975, notable reduction being in the case of nitrobenzene from Rs 8,930 to Rs 6,600 per tonne and formaldehyde from Rs 3,200 to Rs 2,750 per tonne. Prices were further reduced and rationalised in October 1975 and again in January 1976. The net profit during the year was consequently lower at Rs 255 lakhs compared to Rs 279 lakhs in 1974-75.

In the first four months of 1976-77, production and sales have risen to 16,252 tonnes and Rs 561 lakhs as compared with 12,507 tonnes and Rs 326 lakhs respectively during the corresponding period of 1975-76.

In the export field, HOC was able to make modest gains. The exports touched Rs 6 lakhs during 1975-76 as against Rs 4 lakhs last year. Due to highly competitive international prices, HOC is offering its products at concessional prices to customers who possess Actual User/Replenishment licences or who buy HOC products for conversion and export.

The company has received letters of intent for doubling of capacities of its nitrobenzene, hydrogen, aniline and acetanilide plants. The company also expects to receive shortly clearance for putting up 16,500 T/A plant for manufacture of concentrated nitric acid, which is one of its vital raw materials.

R & D Efforts

On the basis of the process know-how developed by HOC's R&D division, a 60 T/A plant for recovery of technical grade resorcinol from waste liquors of meta-aminophenol plant is being set up. The National Chemical Laboratory, Poona continued to render consultancy services to the HOC. On the basis of the data furnished by the NCL for a 600 T/A fluidised bed reactor for aniline, the company has taken up detailed engineering work for this plant. HOC is also considering proposals for setting up other semi commercial/pilot plants based on development work carried out at HOC and NCL.

Terpene Industries

Terpene Industries has earned a lower profit of Rs 2.01 lakhs during the year ended June 30, 1976 as compared to Rs 3.38 lakhs in 1974-75. After providing Rs 6.33 lakhs for depreciation, there is a loss of Rs 4.32 lakhs. After adding Rs 16.64 lakhs being the loss of the previous year, the total loss amounts to Rs 20.96 lakhs.

The continued availability of imported terpineol, at a cheaper rate than the company's cost of production, has resulted in lower offtake of terpineol. In order to bring down the inventory to a lower level, the company was forced to close down the plant for about three months during the year under report.

In the recent import policy announced by the government a ban has been imposed on the import of terpineol. But, some quantities which are in the pipeline will be available during the current year and it is expected that from December 1976 onwards the market condition for terpineol will improve.

During the year under

The Calcutta Electric Supply Corporation Ltd.

(Incorporated in England)

Notice is hereby given that the Board of Directors of this Company have decided to recommend to Stockholders at the forthcoming Annual General Meeting that a Final Dividend for the year ended 31st March, 1976 on the Company's Ordinary Stock at the rate of 6 percent (gross) less Indian Income Tax at appropriate rates be paid on 8th December, 1976 to those stockholders whose names are registered in the Company's Stock Register on 25th October, 1976.

Applications for transfers received in this Office upto 25th October, 1976, will, if otherwise satisfactory, be registered at that date for the purpose of participation in the above Dividend. The Ordinary Stock transfer books and the Register of Ordinary Stockholders of the Company in Calcutta will remain closed from 26th October, 1976 to 2nd November, 1976, both days inclusive.

BY ORDER OF THE BOARD
S.K. NIYOGI
Secretary

Victoria House,
Calcutta 700 001.
28th September, 1976.

report, the company has added its installed capacity for the manufacture of 20 tonnes of terpene hydrate and 30 tonnes of terpinyl acetate and the necessary registration from DGTD for the same has also been obtained.

News and Notes

The board of directors of **American Express Company** has increased the regular quarterly dividend to 25 cents per common share from 20 cents. This 25 per cent rise follows an increase to 20 cents from 15 cents in April 1975, and represents the ninth increase in dividends declared in the past eight years.

The 25 cent dividend, payable on November 10, 1976 to shareholders on record as of October 8, 1976, brings American Express Company's dividend rate to $ 1.00 on an annual basis.

The 75000 DWT bulk carrier being built by Messrs Lithgows at its Kingston Shipbuilding Yard, Glasgow, UK, for the **Scindia Steam Navigation Co Ltd**, has been successfully launched on September 30, 1976. The Lithgows Yard has long association with the Scindia company, having built for the company a number of various types of ships. The ship is scheduled to be delivered to the company by December 1976. With the addition of "Jalavihar", Scindia's fleet will be having one OBO, four bulk carriers and a total strength of 48 ships with 900,000 DWT.

New Issues

Naini Oxygen and Acetylene Gas Ltd is offering 132,000 equite shares of Rs 10 each for cash at par to the public for subscription. The subscription list for this fully underwritten issue opens on October 25 and will close November 4 or earlier at the discretion of the directors of the company but not before October 27.

The company has received an industrial licence for the manufacture of 0.45 million cu. metre of oxygen gas and 0.10 million cu. metre of acetylene gas. The plants are being set up near Allahabad. Adequate land has been acquired from the U P State Industrial Development Corporation Ltd for its present plans and future expansion. The plants will produce 3.5 lakhs M^3 of oxygen and one lakh Mi of dissolved acetylene. The commercial production of dissolved acetylene is likely to commence by March 1977 and of oxygen by August 1977. The capital outlay on the project is estimated at Rs 53.54 lakhs and it will be financed by the equity share capital of Rs 22.00 lakhs, secured term loans from U P Financial Corporation of Rs 30.00 lakhs and unsecured loans from relatives and friends of Rs 1.54 lakhs.

Iron Castings

Melcast India Ltd is likely to enter the capital market in November, 1976, with a public issue of 1,86,000 equity shares of Rs 10 each.

The company has been promoted by Mr V.D. Jhunjhunwala, among others, for manufacture of 2,000 tonnes of S. G. iron castings per year. Tor-Steel Research Foundation in India, who have acquired the technical know-how from Tor-Isteg Steel Corporation of Luxembourg have agreed to supply the technical know-how for a Nodularisation process popularly called as 'T-NOCK' process first developed in Holland. This process assures more yield and less operational cost than the conventional processes.

The plant is proposed to be set up in Durgapur industrial area and orders for the major plant and equipment have been placed. Construction of factory is in progress and commercial production is expected to commence by early 1977. The total cost of the project is Rs 74.12 lakhs. Promoters and associates would contribute Rs 12.40 lakhs out of an equity capital of Rs 31 lakhs. Financial institutions have already agreed to finance the project.

Universal Paper Mills Ltd proposes to enter the capital market shortly with a public issue of Rs 97 lakhs of equity shares of Rs 10 each and Rs 8 lakhs of 11 per cent redeemable cumulative preference shares of Rs 100 each, both for cash at par.

The object of the issue is to raise a part of the finance required for its Rs 2.90 crores integrated pulp & paper plant at Jhargram in West Bengal with an installed capacity of 20 tonnes per day. The balance of the project cost will be met from term loans from financial institutions amounting to Rs 1.85 crores. Being located in a notified backward area, the company is entitled to substantial incentives and other advantages.

The promoters of the company are trying to keep unproductive expenses to the minimum. So far as raw material is concerned, the promoters anticipate no difficulty, as the plant has easy access to nearby sources of supply. Approximately Rs 1.10 crores have already been spent on the project. The plant is expected to go into commercial production in the first quarter of 1977.

Dividend

(Per cent)

Name of the company	Year ended	Equity dividend declared for Current year	Equity dividend declared for Previous year
Higher Dividend			
Sitalakshmi Mills	June 30,1976	12.0	6.0
Frick India	March 31,1976	12.0	6.0
Tiffin Barytes Asbestos and Paints	March 31,1976	15·0	9.0
Indian Organic Chemicals	March 31,1976	15.0	12.0
Badra Coffee	May 31,1976	30.0	12.0
Balanoor Tea	May 31,1976	30.0	12.0
Devan Tea	May 31,1976	30.0	12.0
Same Dividend			
Bombay (Suburban Electric Supply	March 31,1976	15.0*	15.0
Reduced Dividend			
Firth (India) Steel Co.	March 31,1976	Nil	10.0
Sundaram Textiles	March 31,1976	12.0	15.0

*Besides a one-for-five bonus issue is proposed.

India's exports: 1974-75 & 1975-76

RECORDS AND STATISTICS

Exports in 1975-76 reached a new peak of Rs 3,941,6 crores, outstripping the preceding year's performance by as wide a margin as Rs 612.8 crores. Sugar was the top foreign exchange earner, fetching Rs 472.3 crores. Engineering goods were a close second at Rs 408.7 crores followed by jute goods at Rs 248.3 crores, tea at Rs 236.8 crores, handicrafts at Rs 224.1 crores and leather and leather manufactures at Rs 222.7 crores. Such commodities as oilcakes, cashew kernels, spices, tobacco unmanufactured, iron ore and textiles also figured prominently in the export list.

The USA was our leading partner in export trade at Rs 507.7 crores followed by Japan at Rs 426.9 crores, the USSR at Rs 412.8 crores and the UK at Rs 403.6 crores.

The following statements give details regarding our exports, commodity-wise and country-wise, during 1974-75 and 1975-76.

Composition of India's Exports

(Rs lakhs)

Commodity	Unit	March 1976		March 1975		April-March '76		April-March '75	
		Qty.	Value	Qty.	Value	Qty.	Value	Qty.	Value.
A. Agriculture & Allied Products	**Value**	—	157,66	—	143,45	—	1184,90	—	953,71
Oilseeds, nuts and kernels	"	—	19,09	—	7,88	—	68,64	—	29,28
Groundnut	000t	36.8	16,40	14.7	6,95	112.8	49,84	55.8	25,57
Vegetable oil (non-essential)	"	3.3	1,35	1.1	50	61.1	33,29	48.1	33,66
Castor oil	"	0.6	29	1.0	43	22.8	9,97	20.4	13,84
Groundnut oil	"	-	- -	—	2	—	4	0.1	9
Other residual	"	2.7	1,06	0.1	5	38.3	23,28	27.6	19.73
Oilcakes	"	156.4	14,32	95.2	10,07	985.4	86,12	835.0	95,96
Tobacco (unmanufactured)	"	4.8	6,11	4.0	6,57	74.3	93,10	75.0	80,36
Spices	"	11.2	14,26	5.3	7,30	57.2	70,96	51.6	61,41
Pepper	"	5.0	7,10	2.7	3,52	24.3	33,88	26.4	34,49
Cardamom	"	0.3	3.08	0.3	2,38	2.0	19,51	1.8	13,42
Ginger	"	1.2	1,06	0.5	38	4.8	4,10	4.7	3,52
Chillies	"	2.4	2,01	0.1	10	3.5	3,18	0.5	35
Turmeric	"	1.4	51	0.9	42	11.8	4,21	9.2	4,18
Others	"	0.9	50	0.8	50	10.8	6,08	9.0	5,45
Raw cotton	"	11.0	8,70	1.6	1,14	51.4	38,78	20.1	15,22
Raw jute	"	1.8	52	5.9	1,49	35.6	10,11	71.8	17,52
Sugar	"	204.7	58,36	161.0	84,21	1201.2	472,33	694.8	339,01
Fruit and vegetable and pulses	Value	—	11,58	—	10,68	—	133,40	—	137,60
Cashew kernels	000t	2.9	5,33	4.3	7,38	53.6	96,13	65.1	118,16
Banana	"	0.5	9	—	—	1.4	25	—	—
Pulses	"	1.2	40	0.4	13	6.9	2,20	5.4	1,57

—*Contd.*

Composition of India's Exports—*Contd.*

(Rs lakhs)

Commodity	Unit	March, 1976		March, 1975		April-March '76		April-March'75	
		Qty.	Value	Qty.	Value	Qty.	Value	Qty.	Value
Onions	000t	12.2	1,81	18.0	1,18	112.0	13,85	81.1	6,36
Other fruit and vegetable	Value	—	3,95	—	1,99	—	20,97		11,51
Gums and resins and balsam	000t	0.5	50	0.6	57	7.7	5,53	10 4	8,39
Lac	"	2.1	2,68	0.3	83	7.8	12,75	7 3	24,32
Essential oil perfumes and flavour material	Value	—	50	—	1,30	—	3.86	—	9,93
Lemongrass oil	Tonne	60	39	—	—	3.74	2,02	1 24	88
Sandlewood oil	"	1	6	10	1,04	23	1,49	71	7,00
Other residual	Value	—	5		2		44		1,36
Animal casings	"	—	17	—	29	—	2 57		2,16
Meat & meat preparation	"	—	1,56	—	86	—	10.28		5,25
Rice	000t	15.4	5,15	4.0	2 26	34 3	13,04	41 7	21,50
Raw Wool	000t	0 2	31	0.3	34	2 8	3,58	4 2	6,57
Fish	"	5.4	13,50	4.5	6,90	52 3	126,56	38 9	66,17
B. Plantation	**Value**		31,19		23,70		303,46		279,42
Tea and Mate	M.Kg	19 2	21,31	20.4	22,43	212.3	236,81	229.5	228,06
Coffee	000t	5.8	9,88	1.5	2,27	59.4	66,65	49.5	51,36
C. Ores, Minerals and Scrap	**Value**	—	39,82	—	34,46		296,32		230,27
Iron ore	Mill. t	3.1	28,04	2 7	25,81	22 8	213,79	22 3	160,39
Manganese	000t	129.1	2,69	128.5	2,55	786.4	17,51	1046 2	17,64
Mica	M. Kg	1.4	1,64	6.5	2,61	17.6	14,63	34.2	18,18
Ores and minerals other than iron and manganese ore & mica	Value	—	5,97	—	3,47		43,09	—	27,75
Iron & steel scrap	000t	28.9	1,48	0.7	N.A.	156.7	7,30	103.6	6,31
D. Textile Fabrics & Manufactures excl. Coir and Jute	**Value**	—	74,51	—	33,97	—	406,89	—	374,51
Textile fabrics.	"	—	28,83	—	11,33	—	182 28	—	185,45
Cotton piece goods (mill-made)	M.S. met	75.3	21,0	24.6	7,97	415.4	119,39	370.3	129,65
Fabrics of artsilk & synthetic fibres and spunglass (mill-made)	Mill. met.	3.8	1,87	1.5	1,20	25.4	14,97	28.6	18,30
Handloom fabrics of all kinds	Value	—	5,82	—	1,99	—	46,45	—	35,81
Handloom cotton-piece goods	Mill. Met.	7.2	5,22	1.6	1,10	58.2	39,35	49.6	29,26
Handloom fabrics of artsilk and spungless.	"	—	2	—	2	0.3	7	0.2	14
Handloom fabrics of silk	Value	—	58	—	87	—	6,93	—	6,41
Woollen fabrics	"	—	10	—	17	—	1,47	—	1,69
Other textile manufactures	"	—	45,68	—	14,18	—	224,61	—	166,41
Cotton yarn	Mill. Kg	0.8	1,05	0.2	37	4.7	6,38	9.9	18,28
Machine made carpets	Value	—	53	—	32	—	3,56	—	2,93
Cotton apparel	"	—	35,31	—	15,65	—	144,91	—	96,92
Cotton hosiery	"	—	1,16	—	96		9,64	—	5,40
Other cotton manufactures	"	—	4,74	—	3,76	—	39,80		45,68
Miscellaneous textile manufactures	"	—	2,89	—	1,58	—	20,32		19,85
E Manufacturers of Coir & Jute	Value	—	25,95	—	16,02	—	267,33	—	314,72
Coir and manufactures	000t	3.9	2,18	2.8	1,37	36.3	19,02	42 0	17,93
Jute manufactures	Lakh	0.51	23,77	0.28	14,65	5.16	248,31	5.89	296,79
F Leather & Leather Mfrs. and Hides & Skins	Value	—	31,09	—	15,61	—	222,69	—	165,66
Hides & skins raw not leather.	"	—	3	—	4	—	19	—	42
Footwear made of leather & canvas	Mill. pairs	1.6	2,85	1.7	2,46	13.2	21,20	17.5	20,28
Leather & leather mfrs. excl. footwear	Value	—	28,21	—	13,11	—	201,30	—	144,96

—*Contd.*

Composition of India's Exports—*Contd.*

(Rs lakhs)

Commodity	Unit	March, 1976		March, 1975		Apri-March '76		April-March '75	
		Qty.	Value	Qty.	Value	Qty.	Value	Qty.	Value
East India tanned hides and skins	M. Kg	1.4	8,22	1.5	5,96	16.1	73,14	13.9	61,05
Finished leather	"	1.0	8,76	0.6	3,12	7.2	54,78	5.4	30,35
Chrome tanned	"	2.2	9,77	0.9	2,92	15.6	61,27	11.6	40,74
Leather miscellaneous	Value	—	1	—	6	—	2,11	—	1,74
Leather manufactures	"	—	1,45	—	1,05	—	10,00	—	11,08
G Engineering Goods	Value	—	54,68	—	42,67	—	408,66	—	356,57
Metal manufactures	"	—	16,20	—	8,28	—	95,10	—	76,36
Machinery other than electric	"	—	10,75	—	11,74	—	108,00	—	90,51
Electrical machinery apparatus and appliances	"	—	8,57	—	6,53	—	63,97	—	57,29
Transport equipment	"	—	11,24	—	9,76	—	8[illegible]	—	65,68
Other engineering goods	"	—	7,92	—	6,36	—	58,[illegible]	—	66,73
H Handicrafts	"	—	32,57	—	27,57	—	224,11	—	186,56
Handmade carpets and druggets	"	—	5,94	—	4,18	—	41,49	—	35,10
Artware—metal, brass and copper	"	—	1,45	—	1,38	—	16,99	—	15,70
Pearls, precious and semi-precious stones (unworked or worked)	"	—	20,50	—	18,23	—	122,94	—	98,40
Zari goods	"	—	2	—	6	—	31	—	52
Textiles—hand-printed	"	—	63	—	14	—	3,14	—	2,77
Woodware	"	—	51	—	55	—	6,10	—	6,69
Jewellery incl. imitation jewellery	"	—	67	—	98	—	7,24	—	8,80
Shawls, scarves and lohis of all fibres	"	—	86	—	53	—	7,27	—	4,65
Other handicrafts	"	—	1,99	—	1,52	—	18,63	—	13,93
I Other Manufactures	"	—	38,45	—	28,66	—	262,33	—	206,33
Iron and steel	"	—	13,33	—	8,11	—	68,18	—	21,06
Ferro manganese and ferro-alloys	000t	—	—	4.9	1,47	—	—	34.4	7,70
Minerals, fuels, lubricants and related materials incl. coal and coke	Value	—	4,88	—	2,85	—	35,58	—	20,42
Chemicals and allied products	"	—	8,65	—	9,11	—	84,45	—	92,91
Plastic and plastic manufactures	"	—	1,04	—	48	—	7,07	—	7,79
Cotton waste	000t	1.6	1,20	—	16	8.6	5,28	2.5	1,78
Tobacco manufactures	Mill Kg	0.6	1,03	—	6	4.2	5,27	2.9	1,87
Rubber manufactures incl. crude rubber	Value	—	1,78	—	1,71	—	11,35	—	14,27
Paper & paper board	"	—	76	—	67	—	5,45	—	7,50
Cement	000t	71.4	2,91	53.3	1,72	386.3	14,23	301.8	8,58
Glass and glassware	Value	—	82	—	39	—	6,42	—	4,70
Wood, Lumber and Cork manufactures	"	—	2,05	—	1,93	—	19,05	—	17,75
J Miscellaneous items incl. re-exports	**Value**	—	41,46	—	35,70	—	364,93	—	261,08
Total		—	528,38	—	401,81	—	3941,62	—	3328,83

Direction of India's Exports

(Rs lakhs)

Region/country	1973-74	1974-75	1975-76
I. Africa	10173	23761	27042
Dahomey Republic	410	417	1057
Ethopia (incl. Eritrea)	273	321	498
Kenya	1028	1540	1556
Libya	507	861	390
Malawi	187	326	227
Mauritius & dependencies	399	604	679
Nigeria	1149	2161	3714
Other East African Countries	132	253	204
Sierra Leone	163	243	191
Sudan	1859	6646	3651
Swaziland	154	252	145
Tanzania, United Republic of	691	979	1664
Tunisia	119	98	516
Uganda	340	443	205
United Arab Republic	1488	5255	10029
Zambia	382	979	556
II. America	39168	44265	56956
North America	37701	41911	55017
Canada	3109	4418	4243
USA	34592	37493	50774
Latin America	1210	1995	1301
Argentina	642	1063	398
Brazil	225	346	234
Other American Countries	257	360	637
Barbados	25	26	18
Guyana	57	93	116
Netherland Antilles	35	56	85
Trinidad & Tobago	60	86	269
Windward Island	38	28	15
III. Asia & Oceanic Countries	87995	120165	150461
A. ESCAP	73795	91082	117779
Afghanistan	1507	1483	3396
Sri Lanka	984	2685	2301
Australia	5078	6141	4767
Hongkong	3619	2784	4050
Indonesia	2678	5096	5202
Iran	4283	21484	27083
Japan	35975	29665	42688
Malaysia (excl. Singapore)	2463	2926	3235
Nepal	3013	4240	5035
New Zealand	1355	2074	1287
Bangladesh	5878	4220	6213
Singapore	4354	3679	4223
Other Asian & Oceanic Countries	14200	29082	32682
Abu Dhabi	358	467	1043
Bahrain Island	859	948	1690
Qatar	695	861	1028
Dubai	2235	4018	5444
Muscat & Oman	213	1672	1884
Iraq	2034	7286	6460
Kuwait	2129	3840	4559
Saudi Arabia	2610	3554	5979
IV. East European Countries	48790	68484	67660
Bulgaria	2136	1712	2292
Czechoslovakia	4379	6038	3439
German Dem. Republic	2199	3476	2930
Hungary	2404	1950	1436
Poland	5168	7747	8625
Rumania	1516	2451	5309
USSR	28602	42135	41278
Yugoslavia	2386	2974	2851
V. West Europe	66214	76208	92043
ECM	60894	69898	81908
Belgium	4445	5266	3911
Denmark	1307	977	1133
France	4970	8629	8401
Federal Republic of Germany (incl Saar)	8679	10617	11832
Ireland	909	762	934
Italy	6935	5243	7872
Netherlands	7334	7175	7618
UK	26314	31226	40356
EFTA Countries	3299	3809	7832
Norway	470	398	503
Sweden	1440	1578	1321
Switzerland	1230	1633	5163
Other European Countries	2021	2501	2303
Spain	1151	847	938
Turkey	384	1075	457
Finland	225	217	150
Greece	231	310	696
Grand Total of Exports incl. Re-exports	252340	332883	394162

EASTERN ECONOMIST

INDEX TO VOLUME 66

Nos. 14 TO 26

APRIL TO JUNE 1976

ABBREVIATIONS

Leading Article	LA
Point of View	PV
Capital's Corridors	CC
Window on the World	WW
Trade Winds	TW
Books Briefly	BB
Records and Statistics	RS

(For Company Affairs see pages 792 & 795)

Registered Office :

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A

Administration

Amending the Constitution RS 890
Mir Qasim in Central Cabinet .. TW 1282
Supreme Court's Judgement on MISA During the Emergency .. RS 1037
Swaran Singh Panel Report .. RS 1205

Aid, Loans and Grants

ADB Assistance .. TW 883
AP Gets World Bank Loan TW 1083
IBRD Loan for Small Industry .. TW 1194
UNDP Assistance .. TW 802
World Bank Aid for Telecommunication .. TW 1282
World Bank Loan for Seeds TW 1282
Yen Credit .. TW 757

Academicus .. BB 713, 877, 1183
Acharya, T.K.T. .. PV 1273

B

Banking, Money and Finance

A Helping Hand from Aid-India Club .. LA 1258
Aid India Consortium .. TW 1239
Balance of Payments .. TW 1194
Bank Credit: Costs and Profits .. LA 739
Banking : Handsome is as Handsome Does .. LA 737
Banks to Receive Taxes TW 757
Ceiling on Bank Leading Rates .. PV 829
Ceiling on Lending Interest Rates .. PV 1063
Ceiling on Term Loans .. TW 721
Central Loans .. TW 1395
Changes in IMF Rules .. TW 1026
Consumption Credit for Weaker Sections .. LA 1109
Consumption Loans for Landless and Small Farmers .. RS 1041

Credit Expansion .. CC 1263
Credit for Rural Sector .. TW 1352
Credit Needs Assessment .. CC 1168
Debt Relief to States .. TW 1136
Effect of Interest Rates on Bank Credit .. TW 1137
European Currencies .. TW 720
Exchange of Defective Notes TW 1356
Facilities for Non-Resident Indians .. TW 1286
Financial Institutions and Backward Areas .. PV 705
Fiscal Concessions .. CC 1113
Foreign Exchange Reserves, The Uptrend In . LA 1161
Happiness is to Borrow and Spend . LA 777
IBRD Raises Interest Rate .. TW 1135
IDBI Restructured .. LA 740
IMF Gold Auction from June 2 . TW 1135
IMF Sale of Gold .. TW 1285
Impounding Dearness Allowance .. TW 1084
Inter-Bank Call Rates .. TW 721
Is It Time to Review Credit Policy? .. LA 1106
Meaningful Credit Planning LA 1321
No Changes in Credit Policy TW 1084
Non-Credit Cooperatives .. TW 1285
Panel on Banking .. TW 802
Rationalising Lending Rates LA 696
RBI to Finance Food Procurement .. TW 1193
Recycling of Petro Dollars TW 1355
Rupee After Delinking, The .. LA 1015
Rupee-Pound Ratio .. TW 1282
Rupee-Rouble Rate .. TW 1135
Rupee Upvalued .. TW 759, 883
Rural Indebtedness, Current Trends In .. PV 826
Small Savings .. TW 1355
Sterling Sales, Margins On TW 721
Telecommunication Rates for W. Asia Revised .. TW 1136
World Interest Rates .. TW 1086

Books Briefly

A Framework of Banking Development Programme for a State—Case Study of Bihar .. BB 713
Administration of Policy and Programmes for Backward Classes in India .. BB 877
Books Received .. BB 719, 882, 1191
Business, Economics and Planning .. BB 1183
Employment, Growth and Basic Needs : A One World Problem . BB 1183
From Subsistence to Affluence .. BB 877
Growth of Indian Economy in Socialism .. BB 713
India in Space .. BB 1191
Jakarta-Urban Development and Employment .. BB 183
Land Reform, Welfare and Economic Growth .. BB 713
Management of Cotton Spinning Industry .. BB 877
Modernisation of Agriculture . BB 713
New Issue Market of India BB 713
Politics and Planning .. BB 877
Population and Society in India BB 713
Regional Imbalances in Maharashtra .. BB 1183
Second India Studies-Water .. BB 1183
Strategy for Agricultural Development .. BB 877
Studies in Retailing Consumers' Cooperation and Public Distribution System .. BB 877
Workers' Education in India and Abroad .. BB 1183

Budget

Beyond the Budget ... LA 695
Excise Duty Relief . RS 1409
Fair Deal for Equities .. LA 773
Fiscal Concessions .. CC 1113
Happiness is to Borrow and Spend .. LA 777
Meghalaya's Progress .. LA 825
New Taxes in Tamil Nadu, Karnataka . LA 742
Rs. 9 9 Crores further Relief to Industry . RS 1149
The Budget and the Export Drive .. PV 1060
UP Budget .. TW 720

Badar Alam Iqbal .. PV 1123
Balasubramaniam, V. .. WW 1127
Barbara Ward .. WW 1336
Barooah, N K. .. WW 1277
Birla, K K. .. PV 1013
Brook, E B. .. WW 710, 754, 834, 1023, 1132, 1236, 1341

C

Collaborations

Economic Assistance to Mozambique .. TW 757
India-Canada Cooperation .. TW 757
India-Upper Volta Cooperation .. TW 723
Indo-British Joint Commission .. TW 1353
Indo-Iranian Cooperation .. TW 1135
Indo-Nepal Joint Ventures .. TW 883
Indo-Pakistan Accord .. TW 1125
Indo-Polish Cooperation .. CC 1373
Indo-Soviet Cooperation .. TW 1395
Indo-Tanzania Agreement .. TW 1026
Joint Ventures .. TW 1027
Nuclear Cooperation .. CC 1168
Revival of the Simla Spirit LA 1105
Stimulating Results of Cooperation .. PV 870
Ties with Moscow .. LA 1319

Company Affairs

ARDC Bonds .. TW 1138
Ashok Layland for Sri Lanka TW 803
BHEL . TW 803
BHEL Generators for New Zealand .. TW 1353
BHPV .. TW 884
Central Government Public Enterprises: 1974-75 RS 809
Developing Technological Talent . TW 1397
DVC TW 838
Electro-Chemical Research Centre TW 1028
Export of Steel Plates . TW 1138
FCI Nitrogen Production . TW 758
FICCI Resolutions .. RS 1045
Govt. Directors for Bird & Co. TW 1136
Guidelines for Foreign Firms .. TW 836
Heavy Engineering Corporation .. TW 803
Hindustan Zinc .. TW 804
HSL Restructured .. TW 1239
IDBI .. TW 720, 838
IDBI and Its New Goals .. LA 1162
IDBI Restructured .. LA 740
IDPL .. TW 1028
IDPL Output .. TW 803
Irano-Hind Shipping TW 885
Khadi and Village Industries Commission .. TW 758
Limestone Crushing Plant .. TW 758
NCDC .. TW 884
NPCC . TW 721
PEC'S Breakthrough in West Asia .. CC 1263
Public Relations Meet .. TW 1356
Public Sector, Profile of the LA 861
Public Sector Unit , Convention of .. TW 837
Railway Construction Company .. TW 1026
Risk Capital Foundation .. TW 1395
Rourkela Has Done Well .. LA 862
Satellite Tracking Station TW 1027
Scooters Plant at Jammu .. TW 757
Self-Financing in Public Enterprises .. PV 1017
Silver Eveready, The .. TW 1138
STC's Performance .. LA 743
Texmaco Cuts Wagons Output .. TW 838
Wanted: Adequate Return on Capital .. LA 1164
What a Journalist Should Know About Profits .. PV 865

Company Meetings

Coromandel Fertilisers Ltd 1199
EID-Parry Ltd. 1033
Hindustan Aluminium Corporation .. 1392

Calcutta in the Year 2000 .. LA 822
Code of Journalistic Ethics .. RS 1252
Chamola, S.D. .. PV 703

D

Das, V. Bala Mohan .. PV 829
Dutta, Dr. Amar Nath .. PV 1329

E

Economy

A Taluk in Transition .. PV 1065
Anaemic Economy Needs a Tonic .. PV 1013
Assocham Attempt to be Useful .. LA 859
Backward Areas Await a New Deal .. PV 1375
Backward Area, Development of .. TW 1241
Ceiling on Joint Property .. TW 1192
Central Data Bank .. TW 1193
Central Govt. Public Enterprises :1974 75 .. RS 809
Changing Face of Rural Bihar .. LA 1058
Climate for Bold Planning? PV 1271
Economic Growth: A Mini Miracle in Punjab . PV 1223
End of a Dichotomy .. LA 1056
Financial Institutions and Backward Areas PV 705
First Year, The .. LA 1367
Guidelines for Foreign Firms TW 836
Identity of Views .. LA 1003
Impressive Expansion in Northern States .. PV 1170
Indo-Pakistan Accord .. TW 1135
Investment Climate in Eastern India .. LA 776
Lessons of Bumper Harvests, The .. LA 1166
Madhya Pradesh Abolishes Octroi .. TW 1026
NCAER on National Economy .. TW 1084
Non-Resident's Investment .. TW 802
Public Sector, Profile of the .. LA 861
Public Sector's Performance CC 746
Punjab Tops in Per Capita Expenditure .. TW 1083
R & D Cess .. CC 701
Recession: A Measure of Imbalance? .. PV 1329
Revival of the Simla Spirit .. LA 1105
Rural Development .. TW 1027

Rural Indebtedness, Current Trends In .. PV 826
Satellite Tracking Station . TW 1027
Self-Financing in Public Enterprises .. PV 1017
Sikkim, Development of .. TW 1137
Soaring Profits Create Soaring Investment .. WW 1175
Study Panel for Backward Areas .. TW 1137
Technology, Development of .. TW 838
Urbanisation in India in 2000 AD .. PV 1116
Wanted : Adequate Return on Capital .. LA 1164
Workers' Sector : A New Approach .. PV 1378

World Bank Atlas, Population, Prosperity, Poverty Trends .. RS 765

Exhibitions and Fairs

Plovdiv Fair .. TW 804

Exports

Automobile Spares Exports TW 803
Boosting Engineering Exports .. CC 1010
Coal Exports CC 1113
Coir Exports .. TW 759
Cotton Textile Export .. TW 1356
Engineering Exports .. TW 723
Engineering Exports, Subsidy For .. TW 838
Export Assistance for Mill Made Cottons .. TW 883
Export Complex Near Palam TW 1193
Export of Indian Textiles .. TW 1356
Finished Leather, Export of TW 885
Indian Velvet Abroad .. TW 804
Iron Ore for Japan .. TW 1352
New Approach to Export Publicity .. LA 1320
No Export Duty on Coir Yarn .. TW 1397
Role of Exports in our Economy .. PV 1266
Silver Export .. TW 838
Sports Goods Export .. TW 1397
Textile Exports to ECM .. TW 1396
The Budget and the Export Drive .. PV 1060

F

Fertilizers

Boosting Fertilizer Consumption .. CC 1221
Fertiliser Availability .. CC 780
Fertiliser Output .. TW 722
Fertiliser Prices Reduced .. TW 1025
Fertiliser Production .. CC 1373
Fertiliser Production by 1979 TW 1083
Namrup Expansion .. LA 1026
Talcher Giant, The .. LA 1007

Fibres

Meeting on Hard Fibres .. TW 1397

Food and Agriculture

Annual Report of Department of Food .. RS 1144
Bumper Harvests, The Lessons Of .. LA 1166
Consumption Loan for Landless and Small Farmers .. RS 1041
Edible Oils in Cooperative Sector .. TW 1285
Effects of Land Reform on Mode of Agriculture .. PV 1273
Food Output at 116 Million Tonnes . TW 1083
Foodgrains Stocks .. TW 1356
India's Cattle Wealth .. RS 1361
Leadership in Agricultural Cooperative . PV 1225
Milk for Millions .. LA 1323
Pesticides and Their Prices .. LA 1261
Procurement of Rabi Grains CC 701
Production of Seed-Potato in Himachal Pradesh .. PV 750
Promoting Marine Fisheries PV 1124
RBI to Finance Food Procurement .. TW 1193
Record Food Procurement .. CC 1263
Resource Use and Farm Productivity .. PV 13
Swiss Contribution to Operation Flood .. LA 1
Technology for Frozen Foods .. TW 1
UP: Stress on Agriculture .. LA 8
World Foodgrains Stocks .. TW 1

Freedman, David H. .. WW 1

G

Geoffrey Lean . WW 1

H

Halting the Moving Finger .. LA 8
Hennessy, Jossleyn .. WW 708, 752, 7
831, 871, 10
1071, 11
1175, 1

I

Imports

Import of Stainless Steel .. TW 8
Import Policy for April 1976 March 1977 .. RS 8
Import Substitution in Defence Stores TW 7

Industry

A Case Worth Consideration .. LA 7
A New Paper Project . CC 12
Bicycle Industry, Panel for .. TW 11
Bihar Plan to Develop Key Industries .. TW 11
Cement Output . TW 8
Climate for Bold Planning? .. PV 12
Consumer Fatigue .. TW 10
Developing Technological Talent .. TW 1
Domestic Appliances, Modernisation of .. TW 12
Drug Price Revision . TW 7
Dry Batteries .. TW 10
Eastern India Plight of Cotton Mills .. LA 12
Glass, Vanadium and Instrument Manufacture .. CC 7
Guidelines for Industries 1976–77 .. TW 12
Hathi Panel Suggestions .. TW 10
Heavy Industry, Growth of TW 8
Imported Oil for Vanaspati .. TW 8
Increased Industrial Production .. TW 7

Industrial Growth Rate . CC 7
Industrial Output .. TW 8
Industrial Production .. TW 12
Licence for Roller Flour Mills .. TW 12
List of Existing Paper Mills as on April 1, 1976 .. RS 11
Low Priced Television Set .. TW 7
Machine Tool Industry .. TW 8
Manufacture of Drugs .. CC 12
Manufacture of Essential Products . CC 13
New Projects for Machine Tool Development .. CC 10
Paper, Declining Demand for . LA 11
Poor Demand for Industrial Products : Why? .. LA 11
Produtcion Requirement of Pesticides by 1978–79 .. RS 13
Report of Ministry of Industry and Civil Supplies: 1975-76 .. RS 10
Reserve Bank and Sick Units .. LA 10

9.9 Crores Further Re- ef to Industry .. RS 1149
-Financing in Public En- erprises .. PV 1017
Units, Modernisation of TW 1137
all Sector, Sickness In .. LA 1370
e Selling Agencies .. CC 1325
l Pipes and Tubes' Di- ersification .. TW 1192
Gains Independent Sta- us .. LA 775
Licence Fee Raised .. TW 1240
aspati : Which Oil to Jse? .. LA 1054
nted : Adequate Return n Capital .. LA 1164
rkers' Sector in Industry CC 1168

Insurance

, Growth In .. TW 836
r Risk Cover for Ship; .. TW 1192

International Affairs

New Path for Develop- ient .. WW 1386
Ray of Hope? .. LA 1257
ada : A Business Re- iew .. WW 799
nomic and Social Cost of nflation .. WW 1275
nomic Scene as Viewed in V. Germany .. WW 1230
nomies East and West .. WW 871
ctrical Engineering in lomania .. WW 756
od Job Done at Nairobi WW 1341
bitat Meet .. TW 1286
bitat's Global Challenge WW 1336
lding on to the Advan- age .. WW 1236
ome of Man" .. WW 1279
w Exchange Rates are Set WW 1128
F and International Bank- ig Community .. WW 1074
o-Pak Joint Statement .. RS 1200
ustrial Democracy in Vest Germany .. WW 1277
o-Pakistan Accord .. TW 1135
ide West Germany oday .. WW 794
ernational Monetary De- evelopments .. WW 875
ernational Summit in uerto Rico .. TW 1353
an : Outlook for Growth WW 1080
id Reforms in Sri Lanka .. WW 1235
oking Ahead to Business n 2008 .. WW 1381
Dear Hennessy .. WW 1127
gotiations at Nairobi .. LA 1053
Cheer on the Monetary ront .. WW 710
CD Seeks to Strengthen Competition .. WW 752
and's Ambitious Plan .. WW 1071
blems of an Interdepen- lent World .. WW 831
ting up with Pakistan .. WW 1343
vival of the Simla Spirit .. LA 1105
mania and the Third World .. WW 1133
rch for an Agreement .. WW 1132
aring Profits Create Soar- ng Investment .. WW 1175
he Road to Serfdom" .. WW 1020
s with Moscow .. LA 1319
nds in UK Manufactur- ng .. WW 711
ing Time Ahead .. WW 834
certain Upswing, The .. WW 1023
ICTAD Board Drags Its eet .. WW 754
Income Distribution, A ook At .. PV 782

Where are the Euromarkets? WW 708
World Bank Atlas, Population, Prosperity, Poverty Trends .. RS 765
World Consumer Prices, Increase in .. WW 797

Iron and Steel

Bokaro and Thereafter .. LA 1214
Rourkela Exceeds Target .. TW 1138
Rourkela Has Done Well .. LA 862
Steel Output .. TW 1286
Steel Output Expectations .. CC 1168
Steel Production Target .. CC 780

Ionescu, P, .. WW 1133

J

Jute

Crisis in Jute Industry .. LA 1108
Incentives for Jute Industry .. LA 1259
Jute and Its Substitutes .. TW 803
Jute Output Regulation .. TW 1352
No Export Duty on Jute Goods .. TW 883
Prospects for Jute Industry .. LA 697
Support Price for Jute .. TW 759
Will the Jute Council Deliver the Goods? .. LA 1006
John Cole .. WW 1386
Joseph, V.V. .. PV 749

K

Kasar, D.V. .. PV 1273
Kevy .. WW 1343
Kevy .. BB 1191
Khanna, Sri Ram .. PV 1060
Koopman's Contribution to Economics .. PV 703
Korneev, Dr. V.L. .. PV 870
Kothari, D.C. .. PV 1266
Kothari, M.M. .. PV 1015
Kulandaiswamy, V. .. PV 826

L

Labour and Employment

Un-Aided Scheme for ESI Workers .. TW 1085
Workers Sector .. TW 1240
Workers' Sector : A New Approach .. PV 1378
Workers' Sector in Industry CC 1168

Leading Articles

A Case Worth Consideration .. LA 774
A Helpful Hand from Aid-India Club .. LA 1258
A Ray of Hope? .. LA 1257
An Exercise in Accounting .. LA 1213
Assocham Attempts to be Useful .. LA 859
Bank Credit: Cost and Profits .. LA 739
Banking : Handsome is as Handsome Does .. LA 737
Battered Buses .. LA 699
Beyond the Budget .. LA 695
Bokaro and Thereafter .. LA 1214
Calcutta in the Year 2000 .. LA 882
Changing Face of Rural Bihar .. LA 1058
Consumption Credit for Weaker Sections .. LA 1109
Crisis in Jute Industry .. LA 1108
Eastern India-Plight of Cotton Mills .. LA 1218

End of a Dichotomy .. LA 1056
Export Publicity, New Approach to .. LA 1320
Fair Deal for Equities .. LA 773
First Year, The .. LA 1367
Foreign Exchange Reserves, The Uptrend In .. LA 1161
Foreign Trade and Economic Growth .. LA 821
From a Position of Strength LA 1216
Halting the Moving Finger .. LA 819
Happiness is to Borrow and Spend .. LA 777
IDBI and Its New Goals .. LA 1162
IDBI Restructured .. LA 740
Identity of Views .. LA 1003
Investment Climate in Eastern India .. LA 776
Is It Time to Review the Credit Policy? .. LA 1106
Jute Industry, Crisis in .. LA 1108
Jute Industry, Incentives or LA 1259
Lessons of Bumper Harvests, The .. LA 1166
Meaningful Credit Planning LA 1321
Meghalaya's Progress .. LA 825
Milk for Millions .. LA 1323
Negotiations at Nairobi .. LA 1053
New Taxes in Tamil Nadu, Karnataka .. LA 742
Paper, Declining Demand for .. LA 1111
Pesticides and Their Prices . LA 1261
Poor Demand for Industrial Products: Why? .. LA 1163
Power Availability, Disparity in .. LA 1371
Profile of the Public Sector .. LA 861
Prospects for Jute Industry .. LA 697
Rationalising Lending Rate LA 696
Regional Approach to Power Production .. LA 823
Reserve Bank and Sick Units .. LA 1057
Revival of the Simla Spirit .. LA 1105
Rourkela has Done Well .. LA 862
Sugar Policy Needs Change LA 1004
Small Sector, Sickness In .. LA 1370
STC's Performance .. LA 743
Stimulating Coal Offtake .. LA 1368
Swiss Contribution to Operation Flood .. LA 1219
Talcher Giant, The .. LA 1007
Tea or Coffee? .. LA 863
Ties with Moscow .. LA 1319
TV Gains Independent Status .. LA 775
UP : Stress on Agriculture .. LA 864
Vanaspati : Which Oil to Use? .. LA 1054
Wanted : Adequate Return on Capital .. LA 1164
Will Jute Council Deliver the Goods? .. LA 1006

M

Minerals and Metals

Aluminium Output .. TW 1354
Coal, Annual Report on .. RS 1201
Coal Production and Export .. TW 1084
Coal Stocks .. CC 701
Copper Production in 1975-76 .. TW 804
New Aluminium Alloy .. TW 837
New Mineral Reserves .. TW 1027
Offtake for Rock-phosphate TW 804
Production and Demand for Copper .. TW 1353
Sale of Aluminium Simplified .. TW 837
Stimulating Coal Offtake .. LA 1368

Unauthorised Mining Banned .. TW 1026

Machiraju, Dr. H R. .. PV 705
Madden, Carl H. .. WW 1381
Madden, Carl H. .. PV 782, 865
Maheshwari, Dr. C.D. .. PV 1063
Mishra, Dr. R.K. .. PV 1017
Misra, J.P. .. PV 1332
Mohanan, N. .. PV 1225
Muthuswami Gopalan .. PV 826

N

Names in the News .. TW 804, 1028, 1087, 1138, 1194, 1242, 1287, 1398
Nigam, Dr R.S. .. PV 1060

O

Oil

Bassein Oil . CC 846
Bombay High Oil . CC 1221
Bombay High Operations .. TW 1355
Dealers' Commission on Petrol .. TW 1393
OPEC not to Raise Price . TW 1241
Petroleum in 1975-76 .. RS 892

P

Planning

An Exercise in Accounting LA 1213
Rs. 78520 Million Annual Plan .. RS 1247

Plantations

Pepper Community .. TW 884
Tea or Coffee . LA 863

Population

Are We Sweating our Aged? . PV 787
National Population Policy.. RS 852

Power

Disparity in Power Availability .. LA 1371
Power Generation .. TW 1354
Regional Approach to Power Production .. LA 823
Rural Electrification .. TW 758
Second Thoughts on Power Programme .. CC 1113
Super Thermal Stations CC 1221

Price Trends .. CC 1325
World Commodity Prices TW 1397

Prospectus

Industrial Credit and Investment Corpn. of India .. 1076
Mackinnon & Mackenzie Company Ltd . 1024b

Punjab Tops in Per Capita Expenditure .. TW 1083
Pandey, S.N. .. PV 1332
Patel, K.A. .. PV 1223
Pathusha, K.M .. PV 1124
Paul Harrison .. WW 1235
Puri, K.R. .. PV 1170

R

Rao, J.V. Prabhakara .. PV 829
Rao, N. Desinga .. PV 1065
Rashmi Mayur .. PV 1116
Robin Broadfield .. WW 1275

S

Sugar

Sugar Output .. TW 1286
Sugar Policy Needs Change LA 1004
Sagittarius .. PV 1271
Shah, Anil C. .. PV 1375
Sharma, O P. .. PV 787
Srivastava, Dr. J.P. .. PV 1378

T

Taxation

Avoidance of Double Taxation .. TW 1241
Excise Duty Relief .. RS 1409
Income-Tax Settlement Panel .. TW 759
Stamp Duty Raised .. TW 1239
Telecommunication Rates for W. Asia Revised .. TW 1136
UP Reduces Sales Tax .. TW 1193

Tourism

Growth in Tourist Traffic .. TW 1087

Trade

Annual Report of the Ministry of Commerce .. RS 1299
Decline in World Trade in 1975 .. RS 730
EEC Market for Indian Goods .. TW 1087
Foreign Trade and Economic Growth . LA 821
From a Position of Strength LA 1216
Indo-Rumanian Trade .. TW 1025
Indo-Soviet Trade .. TW 802
Indo-US Trade . TW 721

STC's Performance .. LA 743
Tariff Preferences to UK Withdrawn . TW 1135
Trade with Soviet Union .. TW 836
World Trade .. TW 721

Transport

Automobiles and Allied Industries .. RS 891
Battered Buses .. LA 699
Car Prices .. TW 721
Crude Carrier .. TW 804
National Permits .. TW 721
New Railway Construction Company .. CC 701
Progress in Shipping and Transport .. TW 885
Railway Construction Company .. TW 1026
Railway Track Modernisation .. TW 758
Roads and Road Transport PV 1123
Rubber Transportation by Sea .. TW 1356
War Risk Cover for Ships . TW 1192
World Meet on Freight Containers .. TW 1397
The Wealth of Nations:
Remembering Adam Smith PV 749
Tandon, Dr. J.K. .. PV 1378

U

Urbanisation in India in 2000 AD .. PV 1116
Ummat, R.C. .. PV 701, 746, 780, 1010, 1113, 1168, 1221, 1263, 1325, 1373

V

Vashist, G.D. .. PV 750
Vipi Behari .. PV 1332

W

What a Journalist Should Know About Profits .. PV 865
Witteveen, H. Johannes .. WW 1074

Y

Yeo, Edwin H. .. WW 875

Company Affairs

A

Adarsh Chemical 1244
Agricultural Refinance and Development Corpn. .. 1197
Ahmedabad Advance .. 1091
Alfred Herbert (India) .. 1291
Amar Dye Chem. .. 1196
American Express .. 762
Andhra Pradesh Steels .. 1092, 1198
Aruna Sugars .. 725
Ashok Leyland .. 806
Asian Cables Corporation .. 1359
Asian Paints .. 1359
Association of Indian Dry Cell Manufacturers .. 807
Atlas Copco .. 760
Atul Products .. 725

B

Balmer Lawrie .. 760
Bank of Baroda .. 1289
Bank of India .. 1092
Baroda Rayon .. 840, 1290
BASF India . 762
Bayer India .. 725
Bharat Commerce .. 724, 1399
Bharat Heavy Electricals .. 726, 763
Bihar Alloy .. 1288
Blue Star .. 886
Bokiyu Tanneries .. 726
Bombay Dyeing & Mfg. Co. Ltd. .. 763, 1197
Bombay Paints .. 1359
British Airways .. 1244

C

Camphor and Allied Products .. 725
Capital and Bonus Issues .. 764, 808, 889, 1198, 1246, 1360
Cement Corporation of India 807
Central India Spinning .. 805
Century .. 724
C.G.R. India .. 1290
Coromandel Fertilizers .. 1243
Curewell (India) .. 1092

D

Dalmia Cement .. 1196
Deepak Insulated Group .. 1246
Digital Electronics .. 842
Dividens .. 727, 764, 808, 842, 889, 1032, 1092, 1142, 1198, 1246, 1291, 1360, 1402
Dodsal .. 763
Dr. Beck & Co. (India) Ltd.. . 763
Dunlop India .. 841, 1244

E

Eagle Vacuum Bottle Mfg. Co. .. 888

EID-Parry .. 1090, 1400
Elgin Mills .. 1141
Engineering Projects (India) Ltd., .. 807

F

Facit Asia .. 760

G

Gaekwar Mills .. 1196
Gajra Gears Pvt. Ltd., .. 1246
Gedore Tools .. 763
German Remedies .. 807
Gokak Patel Volkart .. 1196
Gold Mohur Mills . 1357
Goodlass Nerolac .. 887
Goodyear India .. 1142, 1357

Guest Keen Williams .. 841
Gujarat State Fertilizers .. 807, 1142
Gwalior Rayon .. 805, 1195

H

Himalaya Fertilizers Ltd .. 1246
Hindalco .. 1399
Hindustan Antibiotics .. 1359
Hindustan Copper . 1401
Hindustan Insecticides .. 1402
Hindustan Lever .. 1195
Hindustan Organic Chemicals . 1092
Hoechst .. 1141

I

ICICI . 1092, 1357
IFCI .. 1031
IFFCO . 1030
Indian Bank .. 1089
Indian Cable .. 724
Indian Fine Blank .. 1196
Indian Hotels . 1139
Indian Overseas Bank .. 1139
Indian Rayon .. 760
Industrial Cables .. 805
ITC .. 1088

J

Jagatjit Industries .. 1288
Jaipur Glass and Potteries .. 808

K

Keltron Component Complex .. 842, 1032
Khandelwal Udyog .. 1290
Kores .. 1030

L

Lakshmi-Ruti Looms .. 887

Larsen & Toubro .. 1030, 1399
Leather Salon .. 726
Licences and Letters of Intent .. 727, 1293, 1403
Lufthansa .. 1359

M

Mackinnon Mackenzie & Company .. 889
Mackinnon's Landing Craft.. 1399
Madura Coats .. 1197
Mahindra Ugine Steels .. 1088
Meena Air Products .. 808
Mining and Allied Machinery Corpn. .. 1031
Modella Woollens .. 1196, 1401
Molins of India .. 760, 1245
Mono Garments .. 1142
Motor Industries .. 763, 841

N

National Alliance of Young Entrepreneurs .. 763
National Machinery Manufacturers .. 1359
New Registration .. 1142, 1357
Nirlon Synthetics .. 1029, 1197
Nocil .. 1197

P

Pfizer .. 886, 1291
Philips India .. 805, 840, 1139
Polymer Papers .. 889, 1142
Polymers Corporation of Gujarat .. 725
Polyolefins .. 1140

Premier Cable .. 724
Punjab National Bank .. 1288

R

Rajasthan Financial Corpn. 1031, 1091
Ramon Engineering .. 762
Raymond Woollens .. 1245

Sandoz .. 1030, 1041, 1243
Sandvik Asia .. 1029, 1092, 1291, 1358
Shree Digvijaya Cement .. 1359
Shree Ram Mills .. 807
Somany-Pilkington .. 841
SPIC .. 887
State Bank of India .. 762
State Bank of Saurashtra .. 886
Sunil Synchem .. 1032
Svadeshi Mills .. 1090
Syndicate Bank .. 1141

T

Tamil Nadu Industrial Investment Corpn. .. 1140
Tanfort Tyres .. 1195
Tata Chemicals .. 1031
Telco .. 763, 842
Tiger Locks .. 1244
Tisco .. 1197

U

UCO Bank 1195
Union Bank of India .. 1029
Union Carbide .. 761
Unit Trust .. 842, 1031
UP State Industrial Development Corporation . 840
Usha Atlas Hydraulic Equipment .. 764, 888
Usha Martin Black .. 760, 1196

V

Voltas .. 841, 1141

Z

Zenith Steel Pipes .. 1092, 1410

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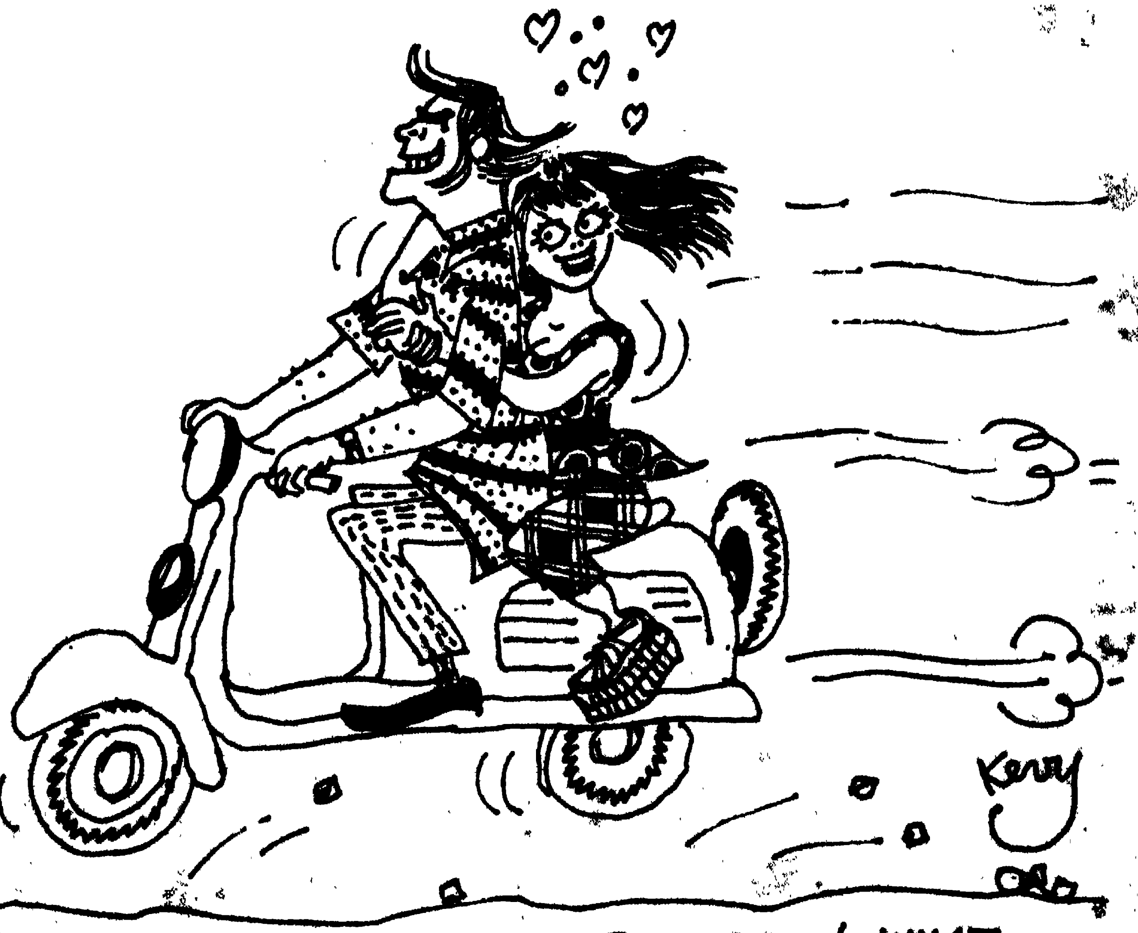

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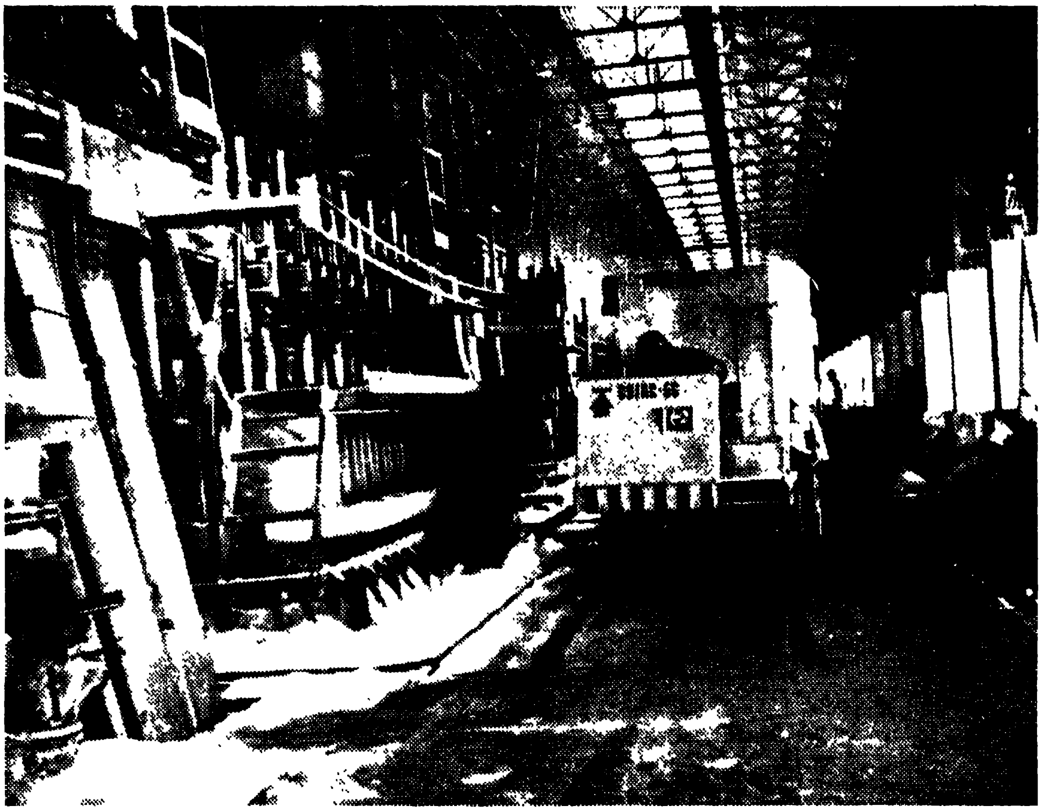

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Leading Articles

India In 2001 AD 801
Monitoring the Use of Funds 802
The Power Ordinance 803
Buoyancy In Tax Revenue 804

Capital's Corridors 807

Point of View

Working Capital in Public Enterprises—S. P. Vijaya Saradhi & K. Rajeshwar Rao 809

Window on the World

Monetary Unification in Europe —Prof R. S. Nigam & V. K Bhalla 818

Trade Winds

Caltex Takeover; Indo-Polish Trade; Tea Gardens Taken Over; Nobel for Friedman; Indo-Bulgarian Joint Commission; Conference of Tax Executives; Faridabad Trade Fair; Conference on Standardisation; National Plan for Edible Oil; No Export of Wheat; Maharashtra State Financial Corporation; Rubber Exports; Small Scale Plastic Units; Super-Alloy Plant; Deposit Linked Insurance 823-825

Company Affairs

Gujarat Steel Tubes; Tata Chemicals; Madura Coats; NMM International; Hindustan Teleprinters; Kothari (Madras); News and Notes; New Issues; Dividends 826-828

Records and Statistics

Foreign Collaborations 830

India in 2001 AD

WHAT WILL be the standard of living of the average Indian at the turn of the present century? This is a fascinating question for an answer to which an analyst will have to press into service all the available economic, technological and sociological knowledge. A study of the future does border on astrology but at the same time it permits a peep into the probable shape of things to come. The only limitation is that "man not being a mere biocybernetic device" is bound to discover new sources of supply of materials and also adopt different value systems with the result that he may be able to explore unheard of paths to plenty and prosperity.

Be that as it may, the exercise to explore the future has its own utility as it indicates the levels to which we can possibly raise the standard of living of the people with all the known resources. The Economic Research Division of the Birla Institute of Scientific Research deserves to be congratulated for a recent study entitled "India 2001" in which it has worked out a number of paths to progress, the most ambitious one raising the per head Gross National Product (GNP) in 2000-2001 to US $ 4424 (at 1970-71 prices) as against $ 89 only in 1970-71.

Broadly, the study has set out six alternatives to growth. The first one assumes the rate of growth of GNP to be extrapolated at 3.1 per cent through 2001. This is indeed the rate of progress which our economy has been able to record so far during the planning period. The second projection assumes the rate of growth at five per cent—the same as adopted by the Planning Commission till 1985. The third model stipulates a rate of rise of 10 per cent in GNP from 1976 to 2001. The remaining three assume the rate of annual growth of GNP at 10 per cent with the additional investment of Rs 2000 crores, Rs 3000 crores and Rs 4,000 crores per annum, respectively.

The study has also made forecasts of population growth, the rise in the proportion of the economically active population and urbanization rate. The total population of the country is expected to rise to 864.30 million in 2001. This projection is in keeping with the policy of the government of India which is to bring about a steady decline in the rate of population growth in the remaining years of the current century. Also the share of the economically active population is projected to increase from 53.17 per cent in 1971 to 71.42 per cent in 2001. The share of population in urbanised areas is anticipated to rise from 19.9 per cent in 1971 to 42.16 per cent of total population in 2001. The projections are central to this study in the sense that any deviation in them is likely to have a serious impact on the final result, i.e. the per capita GNP.

The moral of the study is clear. At the rate of growth which we have witnessed in this country since the first five-year Plan was drafted, the per head GNP in 2001 will be a meagre US $ 153 (at 1970-71) prices. The Planning Commission's projections at five per cent per annum will at best raise this figure to US $ 253 in 2001. However, doubling this rate of growth will enable the country to take its per capita GNP to US $ 1072 by 2001 which will be less than half of the current per capita GNP of west European population. In other words, even this order of growth will tend to widen the gap in the level of living of our country and the industrially advanced countries. To accelerate the pace of economic development further, the growth of the economy at 10 per cent per annum is proposed to be supplemented with additional investment of Rs 2000-4000 crores per annum, the best results being achieved with the higher figure. It is the confirmed belief of the authors of this exercise in futurology that the "Indian economy can achieve a growth rate significantly higher than 10 per cent per annum". What is more, "with proper incentives, additional annual investments of Rs. 2,000 crores or Rs 3,000 crores or even Rs 4,000 crores could be mobilised through domestic and foreign sources."

The study is an open challenge to the country to undertake bolder planning in the next four five-year plans. It comes to the disconcerting conclusion that a mere extra-

polation of the past trends will result in perpetuation of poverty and the "Indian people will continue to remain entrenched in poverty even after the year 2001". On the other hand, the country can break the poverty barrier and attain the highest level of living indicated in the study by raising the GNP at an annual compound rate of at least 13.8 per cent, savings at 17.4 per cent per annum and investment at 17.1 per cent per annum. Implied in these parameters is a lower rate of rise in consumption at 12.8 per cent per annum. All these criteria flow from the assumption of a ten per cent annual (compound) rate of growth coupled with supplemental investment of Rs 4,000 crores a year.

The improvement in the standard of living of our people by the year 2001 to the level prevailing in west European countries and Japan in 1971 will mean sharp increa**ses in consumption of industrial goods,** energy and mass communication devices. It will mean significant step-up in the intake of daily calories, availability of hospitals, physicians and nurses. An explosion in higher education will be unavoidable. The goals indicated in this regard seem staggering especially when we relate them to the current levels of attainment. But in the coming years only an economically strong India will be able to face the unknown changes especially because the rest of the world will not be standing still during the remaining years of the current century. As we march to new peaks of prosperity, the tussle between the rich and the poor countries has every chance of being intensified. And our country must be ready to face every challenge and to capitalise every opportunity that comes our way.

Monitoring the use of funds

THE RESERVE Bank has been pursuing a policy in regard to the floatation of loans and bonds for the central and state governments and public bodies in the past two weeks which is aimed mainly at maximising the mobilisation of resources for the borrowers concerned without taking into full consideration the impact of concentrated borrowing on the money market. It is usually in July/October that an effort is made to complete the borrowing programme of the central and state governments even while allowing the financial corporations and state electricity boards to issue their bonds. In the current financial year there is a paradox of an unsatisfied demand for funds from borrowers in all sectors and unsatisfied demand for gilt-edged securities due to a surge in deposits of scheduled commercial banks and increasing investible resources of the Life Insurance Corporation and provident fund. The expansion of procurement credit since the middle of last year has very nearly absorbed the additions to bank deposits in excess of the growth of 1974-75 and it has been necessary to borrow on a large scale from the Reserve Bank against refinance facility of procurement credit in order to comply with statutory obligations.

It was clear in June this year that the outstanding amount of procurement credit would not record any big decline on account of unexpectedly rich harvests in the kharif and rabi seasons in 1975-76 and large stocks held by millers in different states even after substantial procurement. It is now anticipated that procurement out of kharif crop this season will have to be again heavy in spite of a lowering of target and freeing of restrictions on the movement of rice within enlarged zones. The anxiety of the monetary authorities has obviously been to immobilise immediately the emerging excess liquidity of the banking system in order to prevent lending institutions from relaxing their restrictions on borrowers. There was no worry about the borrowing programmes being successful as statutory obligations have to be met and even minimum investments by the institutions concerned would provide more than the required amounts because of larger investible resources.

This is the background against which the monetary authorities decided early in **September to raise the cash reserve ratio** applicable to the scheduled commercial banks to five per cent from four per cent. It was also announced after a meeting of the Reserve Bank Governor with chief executives of major banks that refinance against procurement credit would be provided on a less liberal basis from November 1, 1976. The increase in the cash reserve ratio has already resulted in the immobilisation of deposits of Rs 160 crores. The state governments have completed their borrowing programmes in two stages resulting in the netting in of Rs 176 crores, after repaying maturing loans of Rs 103.52 crores. The Industrial Development Bank, Industrial Credit and Investment Corporation, Industrial Finance Corporation and other public bodies have also raised over Rs 100 crores with all the borrowers exercising their rights to accept subscriptions up to 10 per cent in excess of the notified amounts. There has thus been a diversion of funds of over Rs 270 crores since August 24, 1976 for being invested in loans and bonds. The only unexplained feature is the limiting of the borrowing of the state governments while the financial corporations have been issuing bonds for amounts considerably in excess of 1975 levels.

Reserve Bank's strategy

The central government is apparently keen on utilising to the maximum extent possible the investible resources of the institutions as otherwise the states would have been allowed to borrow on a larger scale especially as they have a shortfall in respect of Plan resources. The strategy pursued by the Reserve Bank for issuing central loans is not however, well-conceived as the target for net borrowing for 1976-77 can be easily exceeded by staggering borrowing suitably or effecting tap sales of particular loans. It has, however, been decided to complete the borrowing programme for the current financial year even in second stage regardless of the squeeze effect it will have on the money market in the prevailing peculiar circumstances. There is scarcity of lendable funds to borrowers even amongst plenty for the reasons stated above and the inter-bank call rate has been quoting at the peak level of 12½ per cent in all centres for some time past. Even so the centre could make a success of its loans because of the compulsion to invest a specific proportion of fresh deposits in new loans and bonds and the larger additions to the resources of the Life Insurance Corporation and provident fund.

The response to the new central loans has thus been encouraging in spite of stringent money conditions and the exchequer has succeeded in raising Rs 551 crores against the target of Rs 535.06 crores. In the second phase three loans were offered for public subscription having a notified amount of Rs 275 crores. The maturity dates for different loans were fixed only with regard to the lean years in which there were no large maturing loans. While it cannot be said that there has been a deliberate attempt to borrow on a cheaper basis in second tranche, the net effect has been to cheapen the terms of loans.

issue price raised

In the second tranche only two loans were issued against three in the first tranche. The six per cent 1993 loan is a reissue of the loan offered in July last year. The issue price however has been raised to Rs 99.25 from Rs 98.50 Similarly, the 6½ per cent 2002 loan has been offered at par while a similar interest bearing loan had a maturity date in 2000 in the first stage of borrowing. As compared to last year however the long-dated loan is more attractive because it has a duration of only 26 years against 28 years on the last occasion. The issue price was unchanged at par in both cases. What has happened is the reversal of the trend in July this year, though in that month 5½ per cent 1984 loan had an issue price of Rs 99.50 against 5½ per cent 1982 loan which was available at Rs 99.40 and issued in July last year. It can only be said that the Reserve Bank has no intention of making any major changes in borrowing techniques and is keen at the moment only on raising the maximum resources.

The stringency in the money market is unlikely to be relieved until July next year as it is quite on the cards that procurement will be heavy and non-food credit also may increase sizably, in the next busy season. As there will be concurrently investment in government securities and bonds against fresh additions to deposits and resources of Life Insurance Corporation and provident fund, liberal lending by Reserve Bank to needy member banks can be the only source of liberalisation The cash reserve ratio, if need be, can be lowered in December or January in the light of conditions in money market. The central government can nevertheless hope to raise an extra Rs 200 crores before March next year. The statutory liquidity ratio of many banks is barely above the minimum and with new deposits likely to be of the order of Rs 1200 crores in five months ending March 1977, there will have to be fresh investments of about Rs 400 crores. Even allowing for the fact that there might have been anticipatory investment in some cases of Rs 100 crores, the centre can borrow additionally Rs 200 crores even after permitting state electricity boards and financial corporations to secure for themselves Rs 100 crores through bond issues.

The question now is whether the Reserve Bank will effect the reissues of earlier loans in December next. In the same month last year a medium-long dated loan, 6¼ per cent 1996 was offered at par and the amount raised was Rs 220.47 crores. If this procedure is adopted again, aggregate borrowing will be as high as Rs 750 crores even without taking into account possible oversubscriptions. The central and state governments have certainly need for additional funds and full advantage can be taken of the enlarged capacity of the gilt-edged market. But there is no reason why artificial tightness should be created in the money market with a hike in the cash reserve ratio and a change in the method of refinance and procurement credits which will result in the immobilisation of funds of over Rs 360 crores. Complete adjustments in respect of this amount can take place only over a period and no useful purpose will be served by increasing the cost of borrowings for banks through these techniques and preventing a possible reduction in lending rates to borrowers by banks when it is abundantly clear that high interest rates have inflated costs. The discipline in respect of borrowing is being achieved by quarterly budgeting and careful monitoring of use of funds by borrowers. There is no need therefore for maintaining interest rates at high level when they have had a soaking effect even on reasonable profitability of working.

The power ordinance

COMING IN the wake of the concerted efforts made in the last two years at preventive maintenance of power generating units in the country, which have resulted in a significant improvement in the utilisation of the installed capacities, the Electricity (Supply) Amendment Ordinance, promulgated by the President last week, with a view to amending some sections of the Electricity Supply Act of 1948, indeed, is a step in the right direction. The ordinance considerably enlarges the role of the Central Electricity Authority (CEA) in the matters relating to the formulation of national power plans, techno-economic appraisal of power projects, monitoring of these projects, provision of technical assistance to state electricity boards, etc. No power project costing more than one crore of rupees can now be completed without the approval of the CEA.

The other important amendment made in the 1948 Act is that it will now be possible to establish companies solely for the generation of electricity. These companies can be set up by state governments singly or jointly as well as by the central government. In fact, the central government has already established two generation corporations, namely the National Thermal Power Generation Corporation and the National Hydro-Electric Power Generation Corporation. These companies will not be concerned with the transmission and distribution of electricity which will be handled separately by other organisations

The ordinance has not come a day too late for the need for imparting greater role to the CEA in the drawing up and execution of power development plans as well as the necessity for according a high priority to power generation than to the transmission and distribution tasks have been felt for a considerable time. Apart from the financial stringency from which the state electricity boards have been suffering for several years now, one of the major drawbacks in our power management was that the less onerous and the more prestigeous distribution task invariably was luring most power engineers. This had led to the neglect of the power generation function of state electricity boards to no small extent. Over the years the dimensions of the work handled by state electricity boards too had increased immensely, as they were not only required to look after generation of electricity but also execution of power projects and establishment of transmission and distribution networks, apart from actually handling the distribution work. None of the above tasks, therefore, could be tackled by the state electricity boards very efficiently and effectively.

coordinated development

Thus, whereas the separation of electricity generation from transmission and distribution will help in lightening the burden on the two types of companies — the former being handled by the generation companies to be set up and the latter by the state electricity boards — the enlargement of the functions of the CEA under the ordinance, should enable it to plan for power development in a more concerted and coordinated manner so that the most efficient use of the available resources can be made. The specialisation resulting in the various spheres of power programmes should as well help in bringing down production and distribution costs. It would also be easier now to specifically fix the responsibility for failures on the concerned personnel.

The need for enlarging the role of the CEA both in power planning as well as in the execution of projects through central corporations was imperative in view of the fact that not only hydro-electric projects have mostly to be built with cooperation amongst various states but also the country has to go in for much larger thermal power stations than has been the case hitherto. No individual state electricity board could be expected to take up these tasks because they lack both financial and expert manpower resources. Incidentally, the creation of the National Hydro-Electric Generation Corporation should help in obviating, at least to some extent, the inter-state wrangles on the construction of multipurpose hydel projects and thus lead to expediting the harnessing of water resources in the country for both irrigation and power generation.

The magnitude of the task ahead in the field of power development too warranted injection of specialisation in the spheres of generation, transmission and distribution. This should be evident from the fact that notwithstanding the somewhat heightened tempo of development in the recent years, the needs of the economy are growing at a much faster rate as a sequel to which the tempo of development has to be raised further considerably. During the whole of the fourth Plan period, we could add only 4,280 MW of electricity generation capacity, taking the installed capacity in 1973-74 to 18,456 MW. The addition to capacity during the first two years of the current Plan period — 1974-75 and 1975-76 — has been of the order of 3,524 MW. During the current financial year, the addition is expected to be around 2,387 MW. In the terminal two years of the Plan, no less than 6,589 MW capacity is envisaged to be added — 678 MW more than in the first three years. Apart from this, the fifth Plan document reveals, generation capacity to the extent of about 6,000 MW would be under construction at the end of 1978-79. The developmental programmes on the power front obviously will have to be much larger in the sixth and the subsequent Plans. Simultaneously the task of strengthening and enlarging the transmission and distribution network will grow at much faster rate than has been the case hitherto. Only specialisation in the different fields can help in tackling these growing tasks, if the sad experience of the past has to be obviated.

The CEA will do well in planning now for marginal surpluses of power in the various regions of the country rather than planning for marginal shortages, notwithstanding the fact that the establishment of the all-India power grid is being accorded high priority. This is warranted to bring down transmission losses which continue to be high, although they have been brought down significantly in the last one year. Power undoubtedly belongs to the infrastructure field and there can be no denying the fact that shortages of power have hampered the growth of the economy in no small measure in the last few years.

The opportunity provided by the separation of the generation function from the transmission and distribution functions, it is hoped, will be availed of for mitigating the grievance of the technical personnel about their promotion to the top levels. The generation companies at least should, in future, be headed by technical people instead of by generalists and politicians. With a view to attracting talent to the generation companies, the emoluments of their technical staff too need to be looked into afresh.

Buoyancy in tax revenue

THE RECENT trends in the tax revenues of the government of India have been encouraging. In the first four months of the current financial year, the central government's revenue collections are officially estimated to have increased by 16.2 per cent as compared to the similar period of the previous year. The total revenues realised from customs, excise, direct taxes and opium amounted to Rs 2236.90 crores in April to July 1976 as against Rs 1924.79 crores in the same months of 1975 recording an increase of Rs 312.11 crores. The revenues from income tax, corporation tax, interest tax, wealth tax, expenditure tax, gift tax and estate duty were Rs 381.29 crores against Rs 264.20 crores, an increase of 44.6 per cent. The collection of excise duties, excluding the cess on certain items, amounted to Rs 1361.70 crores against Rs 1201.83 crores, a rise of Rs 159.87 crores. The revenue from customs accounted for Rs 481.57 crores, representing an increase of Rs 28.35 crores over the previous year's figure of Rs 453.22 crores.

These trends indicate buoyancy in the country's economic growth as well as improvement in the machinery for tax collection and for preventing tax evasion.

They also confirm the view that reduction in the rates of taxation has helped in increasing the revenue.

It will be recalled that the rates of income tax on personal incomes were lowered in 1974 on the basis of the report of the Direct Taxes Enquiry Committee. Mr Y.B. Chavan, the then Finance minister, had expressed the view while presenting the budget for 1974-75 that the reduction in rates would result in larger revenues.

Mr C. Subramaniam said in his budget speech on March 15 this year that his predecessor's expectations had been fulfilled and that this was reflected "in the striking increase in income-tax collections during the last two years". He added that while such factors as the intensive drive against tax evaders and other economic offenders had helped to improve collections, the reduction in tax rates "has played a major role in promoting far better tax compliance".

Mr C. Subramaniam reduced the rates of taxes on personal incomes and wealth but, in doing so, he clarified that he did not anticipate "any loss of revenue on this account as the whole logic of the present exercise in rationalisation of tax rates is that it will evoke better compliance on the part of the assessees". In many developed and developing countries, a cut in the rates of taxation has been accompanied by larger collections of revenue and higher rates of economic growth and similar results are now seen in India as well.

greater stimulus

But the government of India should adopt further measures to impart greater stimulus to economic growth so that production will increase at a faster rate and the revenues will also increase. Industrial production in 1976-77 is expected to achieve a growth rate of around 14 to 15 per cent. In the past, revenue from excise duties increased fast even when industrial production had been stagnating or rising moderately. Thus, industrial production (with 1968=161.1 as base) rose only by 25 per cent in 1974 to 202 but the revenue from excise duties increased by 300 per cent from Rs 1029 crores in 1968-69 to Rs 3184 crores in 1974-75.

With the improved prospects of industrial production, the exchequer can look forward to bigger buoyancy in revenues. But though the overall rate of growth in production has been impressive, many industries continue to face severe difficulties arising from lack of demand and other causes. Mr Subramaniam admitted in his last budget speech that some industries were faced with inadequate demand and that "a number of industries producing consumer durables are experiencing considerable difficulties". He expressed the hope that the proposed increase in Plan outlay for 1976-77 would provide "a major stimulus" to the better utilisation of existing industrial capacities.

sick industries

But the impact of the larger Plan outlay is yet to be felt in many industries. A large number of industrial units continue to remain sick and the government and the financial institutions have been considering what strategy is to be adopted to make them viable and to prevent industrial sickness in future. Meanwhile, the government should place more orders on industries, offer them fair prices and, what is equally important, should make the payments with minimum delay.

The government should also examine the feasibility of reducing the tax burden on the corporate sector in view of the encouraging trends in tax collections and the imperative need to achieve a higher rate of growth of industrial production. The corporate tax in India is about 67 per cent as compared to 45 per cent in Malaysia, 25 per cent to 30 per cent in Taiwan, 15 per cent in Hong Kong and 25 per cent to 40 per cent in South Korea. The rate is lower even in developed countries, ranging from 22 per cent to 48 per cent in the USA, 52 per cent in the UK, 50 per cent in France, 44 per cent to 51 per cent in West Germany and 42 per cent to 50 per cent in Japan. The government should realise that the high level of corporate taxation not only affects efficiency and pushes up costs and prices but also makes it difficult for our exporters to compete effectively in foreign markets.

The government of India has recently liberalised the import of various kinds of machinery and spare parts with a view to enabling industries to make better use of their capacity and to expand production and exports. Mr M.V. Arunachalam, president of the Federation of Indian Chambers of Commerce and Industry, has welcomed these measures and has suggested that the government might think of rationalising customs duties and capital equipment "with a view to ensuring that there is no avoidable hike in the capital and running costs of industries". The government should favourably consider this suggestion.

The budget for 1976-77 reduced the duty on machinery and equipment imported for setting up fertiliser plants and newsprint plants from 40 per cent to 30 per cent *ad valorem* and also withdrew the customs duty on imported rock phosphate used for fertilisers. These measures were estimated to result in a loss of Rs 13.15 crores. But, as mentioned earlier, the total revenue from customs in the current fiscal year had been at a much higher level than in the past year.

selective reduction

The Jha Committee on Indirect Taxation is examining the various aspects relating to customs duties also. Meanwhile, the government may consider a reduction in the duties on a selective basis so as to give a fillip to industrial production and expansion. New Delhi has been releasing from time to time the details of tax receipts.

It will be useful if the government also keeps the public informed about the trends in expenditure. Mrs Indira Gandhi, the prime minister, told the National Development Council last month that since some inflationary potential still persisted in the economy, it was essential to enforce strict economy in expenditure. It will be instructive to know to what extent and in which directions the government has been able to effect economies in expenditure.

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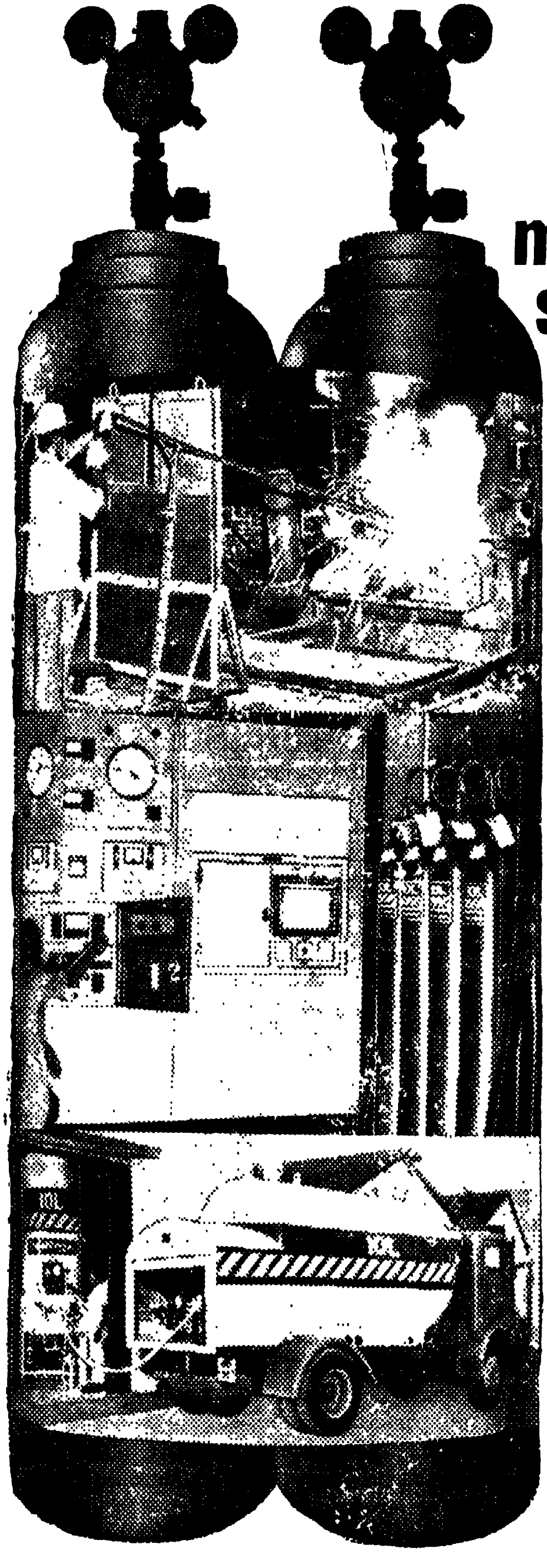

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CAPITAL'S CORRIDORS

R. C. Ummat

Steel output trends • Mineral policy • Ban on new capacities

THE PRODUCTION of steel at the six integrated steelworks, both in terms of ingots and saleable steel, during the current financial year continues to be encouraging. The data available for the period April to September suggest that whereas the output of ingot steel in these six months amounted to 3.975 million tonnes, that of saleable steel aggregated to 3.311 million tonnes. The two figures were higher by 21.8 per cent and 25.4 per cent compared to the output of ingot and saleable steel during the corresponding period last year.

Even in terms of the targets set for the current year, the increase in production during the six months has been quite promising. Whereas the production of ingot steel was envisaged to be raised during these months to 3.875 million tonnes, the actual production amounted to 3.975 million tonnes—an increase of 2.6 per cent. The output of saleable steel exceeded the target for the period (3.037 million tonnes) by as much as nine per cent.

overall utilisation

Excluding Bokaro, where some units of the first stage of 1.7 million tonnes have yet to be commissioned, the overall capacity utilisation in terms of saleable steel during the six months to September works out to 88.2 per cent. The target set for the whole of the current financial year is an overall capacity utilisation of 85.4 per cent.

All the steelworks, except the two at Durgapur and Jamshedpur, yielded production of ingots during the six months at rates higher than the targets set for them. Their outputs were of the following order (the targets for the six months are given in brackets): Bhilai 1.094 million tonnes (1.035 million tonnes); Rourkela 717,000 tonnes (651,000 tonnes); Bokaro 401,000 tonnes (343,000 tonnes); Burnpur 323,000 tonnes (307,000 tonnes). The production at Durgapur amounted to 516,000 tonnes, as against the target of 551,000 tonnes and that at Jamshedpur 924,000 tonnes, as against the target of 938,000 tonnes.

targets exceeded

As regards saleable steel, all the steel plants, except the one at Jamshedpur, exceeded their production targets. Bhilai produced 982,000 tonnes (883,000 tonnes), Durgapur 443,000 tonnes (409,000 tonnes), Rourkela 558,000 tonnes (493,000 tonnes), Bokaro 343,000 tonnes (281,000 tonnes) and Burnpur 255,000 tonnes (240,000 tonnes) The output of Jamshedpur at 730,000 tonnes was just a shade lower than the target of 731,000 tonnes.

The output of ingot steel at the six steel plants during April-September, 1975 was as follows : Bhilai 1.013 million tonnes, Durgapur 446,000 tonnes, Rourkela 558,000 tonnes, Bokaro 141,000 tonnes, Jamshedpur 812,000 tonnes and Burnpur 293,000 tonnes. The production of saleable steel had been of the following order: Bhilai 867,000 tonnes, Durgapur 325,000 tonnes, Rourkela 442.000 tonnes, Bokaro 67,000 tonnes, Jamshedpur 697,000 tonnes and Burnpur 242,000 tonnes.

It may be recalled that the output of steel at the six plants in terms of ingots is targeted to be raised during the current financial year to 8.205 million tonnes from 7.251 million tonnes last year and that of saleable steel to 6.465 million tonnes from 5.778 million tonnes last year.

The ministry of Steel is confident that on the basis of production during the first six months, the overall targets both of ingots and saleable steel for the whole of the current financial year will not only be achieved but also might be slightly exceeded.

The production of alloy steel at Durgapur too registered satisfactory performance during the six months to September. It exceeded the six monthly target by 13.3 per cent in so far as ingots were concerned and by 20.7 per cent as regards saleable steel.

stimulating demand

Vigorous efforts are being made to stimulate internal demand as well as for stepping up exports in line with the increasing trend in production. Three more stockyards and 20 consignment agencies are programmed to be opened shortly, in addition to the 43 stockyards and 78 consignment agencies working in the country at present. Customer contact officers have been appointed throughout the country to collect on a regular basis the data regarding the requirements of customers and for assessing and tapping the fresh demands coming up as a result of new projects, expansion programmes, etc. They attend to minor complaints of customers directly and help the customers in getting production people from plants to look into their major complaints. Frequent contacts are being maintained by the senior officers of the sales organisation with customers' association. Close liaison is being maintained with the Central Water and Power Commission and the ministries of Heavy Industry and Petroleum to ensure that there is a proper servicing of electricity boards, power projects, transmission equipment manufacturers, the units under the ministry of Heavy Industry and oil refineries,.

End-use restrictions were removed last year to facilitate easy marketability of iron and steel and scrap. The plates and forging quality steels were taken out of the purview of the steel priority committee and put under the joint plant committee in December last. Supplies from plants are made to customers where an order is for a rakeload of one section to one destination from one plant. In other cases, the consumers have to lift their materials from the stockyards. In order to help small-scale manufacturers, the small-scale industries corporations have been given facilities of taking materials in wagon-loads directly from the plants instead of in rakes. In the stockyards, a wide range of products are kept to enable consumers to buy their requirements as and when they need. As a result of the increase in the outlay of the current year's Plan as well as the enhanced outlays during the next two years, it is expected that the domestic demand would pick up steadily. The encouraging trends in the export of engineering products too, it is thought, will help in the picking up of demand.

The exports of iron and steel as such have also registered a substantial increase. During the six months to September, 500,000 tonnes of pig iron and 750,000 tonnes of mild steel, valued at Rs 167 crores, had been shipped out. This was nearly 64 per cent more than the total exports of iron and steel during the last year.

With a view to fostering further exports of engineering products, the union government is understood to be considering the question of giving some freight subsidy to exports of selected products to the United States, Canada and Latin America. The items envisaged to be included in the selected list are wire ropes, pipes, tubes and castings. The average subsidy is likely to be of the order of 7.5 per cent.

* *

The minister for Steel and Mines, Mr Chandrajit Yadav, last week stressed that we must derive the maximum benefit out of our mineral wealth by its well planned and scientific exploitations. Opportunistic and profit-oriented mining or slaughter mining, he indicated, would not be allowed under any circumstances. To ensure that, the central government envisaged to exercise some control and monitoring over exploration and exploitation of minerals.

The central government, Mr Yadav said, had no intention of undertaking mining of all major and minor minerals on its own. There was abundant scope for state governments and other agencies in mining, he added, but there had to be proper co-ordination between the state and central organisations and it had to be ensured that there was no wastage of mineral wealth of the nation.

Mr Yadav further pointed out that indiscriminate exports of minerals would not be allowed. Exports, he said, were necessary but could be allowed only after meeting the current and long-term requirements of the country.

In order to step up exploration and development of minerals, Mr Yadav observed that the Geological Survey of India had been asked to complete systematic mapping of the whole country in the next ten years. Till now nearly 50 per cent of the area has been covered by systematic mapping. The minister emphasised that production and productivity in the mining industry had to be greatly increased by better planning and more efficient maintenance and utilisation of machinery and equipment.

Referring to the need for long-term planning, Mr Yadav said that we had to plan our requirements of minerals and metals not for 5 or 10 years but at least for 25 to 50 years, especially in view of the fact that our reserves of some critical minerals were likely to the exhausted in the next 15 years or so. Their exploitation, therefore, had to be regulated.

* *

The Development Commissioner, Small-scale Industries, has imposed a total ban on the installation of new capacity, either through registration of new units or through the expansion of the existing ones, in various lines of manufacture. These include: (1) stainless steel products: (a) domestic utensils, wiper blades made of stainless steel strips, (b) hospital equipment — wares and furniture made of stainless steel and strips; (2) steel re-rolling; (3) pesticides formulations; (4) cork stoppers; (5) polyurethene foam; (6) transformer oil; (7) baby food; (8) malted milk food; (9) reed relays; and (10) plastic products made from LD and HD polythelene.

In another five lines of manufacture, new entrants have been banned, but expansion of existing units has been allowed. These include; (1) TV receivers; (2) TV deflector components; (3) tape-recorders; (4) electronic desk calculators; and (5) mini micro meters.

ban on new capacity

In the case of another 12 items, ban has been imposed on creation of new capacities, except in the backward districts (concessional finance as well as capital subsidy districts). These items include: (1) electrolytic capacitors; (2) mica capacitors: (3) aluminium wire and cables; (4) plastic film capacitors; (5) tin containers and small products using tin sheets; (6) ACSR & AC conductors (subject to the capacity assessment of the unit): (7) wire drawing of MS and stainless steel in the category of thicker gauges below 18 s.w.g. (subject to capacity assessment of the unit); (8) stainless steel watch straps; (9) bright bars (subject to capacity assessment of the unit); (10) washing soap; (11) PVC footwear; and (12) zinc oxide.

The addition of capacity to manufacture acrylic sheets has been banned except in states where there is no unit at present in this line.

In the case of export-oriented units, there will not be any ban on the expansion of the existing units, provided, of course, 100 per cent of the expanded production is exported. The qualified ban on ceramics and glass industries has been lifted. Previously new units could be set up in these industries or the existing units could be expanded on the condition than the entrepreneur would undertake to procure his own raw materials. New units can now be set up in glass and ceramics industries without any pre-condition about raw materials.

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Working capital in public enterprises

S. P. Vijaya Saradhi* & K. Rajeshwar Rao**

The rapid growth of the public sector undertakings in our country has resulted in massive use of available funds for sustaining the sector. Here the authors have analysed the role of working capital in relation to the fixed asset investment in different categories of enterprises and have pinpointed the different rates of growth witnessed in them. Also, they have studied the part played by cash liabilities and cash credits in different enterprise groups for providing working capital.

THE WORKING capital of an enterprise is said to be that portion of its total financial resources which is put to a variable operative purpose. There are two concepts of working capital in vogue, viz., 'Gross' and 'Net'. 'Gross Working Capital' refers to the amount of funds invested in current assets, while 'Net Working Capital' is taken to be the difference between 'Current Assets and Current Liabilities'. Both 'Gross' and 'Net' concepts are useful to financial management, the former from the angle of profitability[1] and the latter in the context of liquidity. No quantitative norms capable of general or specific application appear to have been evolved in the corporate sector in this country in terms of which the gross working capital proportion to fixed asset investment, the optimum gross working capital as well as its optimum allocation among its different components can be assessed in the case of industrial and commercial enterprises.

An attempt has been made to examine the size and the source-form of financing (pattern of gross working capital investment—current asset investment) of public enterprises during 1969-75 in an overall manner and as among their different 'Enterprise Groups'. In the process, answers to the following questions have been sought :

(i) Is their a pattern that could be identified as to the relationship between working gross capital (current asset investment) and fixed asset investment ? And, is such a pattern meaningful to the different enterprise groups ?

POINT
OF
VIEW

(ii) Has there been a sizeable shift towards a particular form of finance other than equity ? Is it uniformly similar in all the enterprise groups ?

The answers to both these questions have policy implications as to norms of current asset investment and forms of financing.

The data for the study relate to the industrial and commercial undertakings of the central government published in the 'Annual Reports on the Working of the Industrial and Commercial Undertakings of the Central Government' by the Bureau of Public Enterprises. Only 'Running Enterprises' are considered to the exclusion of those 'Under Construction', 'Insurance Corporations' and 'Enterprises Under Sec. 25 of the Companies Act'. The period covered for the overall study is 1969-75 while for the study of inter-enterprise diversities, it is to be limited only to 1971-75 as the required data are not available for 1969 and 1970 according to the enterprise group classification adopted since 1971. Also, while figures from the consolidated tables are made use of for the overall study, figures aggregated by us for each of the enterprise groups from the respective constituents are made use of for the inter-enterprise study in the absence of enterprise-wise data in the consolidated tables.

quantum of investment

The size of gross working capital is studied in the context of the quantum of current asset investment. This is with a view to observing the commitment of current asset investment with reference to fixed asset investment and drawing inferences about it as a norm in the context of profitability, risk assumption and factors affecting the size of current asset investment. For this purpose the ratio of 'Current Asset Investment' to 'Fixed Asset Investment' is used. Also as a corollary, it is proposed to observe the pattern of average amount of gross working capital investment for an average amount of fixed asset investment over the period.

Next, in order to study the pattern of financing gross working capital i.e., current asset investment, the forms of financing have been identified. Computations have been made scrupulously for cash credits, deferred credits etc from the published data and the portion of current asset investment that is financed by equity/long-term loans is taken to be the balancing figure. Each form of finance is expressed as proportion of the total current asset investment in order to study the pattern over the period.

The study is divided into three phases. First, the overall position is examined without industry considerations. Second,

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[1] A firm's profitability is determined in part by the way its working capital is managed. The chosen level of investment in the working capital of an enterprise should ensure fuller utilisation of its productive capacity from the point of maximisation of its profitability.

The volume of working capital required is determined by the level of production unlike fixed capital which is determined by the scale of production.

The precise level of investment in working capital is predicated upon management's attitude towards risk and factors that influence the level of cash, inventories and receivables required to support a given volume of output.

Some of the factors that cause inter-enterprise differentials in working capital requirements are nature and size of business, operational efficiency, product marketability, desired profit level, secular trends in capital-output ratios and cyclical and seasonal factors. Therefore, the management has to pay particular attention to the planning and control of working capital.

diversities in the pattern are studied as between 'Enterprises Under Construction' and 'Running Enterprises' and considering the latter, as between 'those producing goods' and 'those rendering services'. Third, intra-enterprise group diversities are brought to light.

The total number of enterprises of the central government—other than departmental projects—was 129 as on March 31, 1975 with a total investment in equity and long-term loans of Rs 7621 crores and a working capital of Rs 3207 crores financed by cash credits and working capital loans from central government.

TABLE I

Number, Total Investment and Working Capital of Central Government Enterprises, 1969-75

(Rs in crores)

Year	Number	Total investment	Working capital
As at 31-3-1970	91	4301	1208
As at 31-3-1971	97	4682	1512
As at 31-3-1972	101	5052	1816
As at 31-3-1973	113	5571	1941
As at 31-3-1974	122	6237	2273
As at 31-3-1975	129	7261	3207

As may be observed from Table I, while there was 42 per cent increase in the number of enterprises between 1969-70 and 1974-75, there was 69 per cent increase in total investment but a phenomenal 166 per cent increase in working capital.

A study of Table II reveals that over the period 1969-75, aggregate investment in fixed and current assets recorded a significant increase in consonance with the increase in the number of enterprises. The position was similar in the case of net working capital. But the rate of increase was not uniform as among these categories. The rate of annual increase in the current asset investment was significantly higher than that of fixed asset investment. Second, a decline in the annual rate of increase in the fixed asset investment was coupled with either an almost steady or strikingly high rate of increase in the current asset investment. The years 1971-72, 1973-74 and 1974-75 pointed to this condition. A more or less similar condition was observed also with reference to the average investments of these two categories. Third, if we consider 1972-73 and 1973-74 in juxtaposition, we find that whereas in the former year the average current asset investment showed an insignificant increase as compared to its preceding year 1971-72 for a correspondingly larger increase in the fixed asset investment, it was the other way round in 1973-74, marked with a 20 per cent increase in the average current asset investment for a decline of two per cent in the average fixed asset investment. Fourth, as compared to 1969-70, whereas the average fixed asset investment increased by about 20 per cent by 1974-75, the corresponding average current asset investment increased by nearly 98 per cent.

These tendencies make two broad inferences possible even if we make allowance for industry differences and differing fixed asset investments over the period. First, from the angle of efficient allocation of resources, profitability and risk assumption, no set pattern as to the ratio between the current asset—gross working capital—and the fixed asset investments appeared to emerge.

Second, even if a crude norm were assumed to be in vogue in regard to the proportion of current asset investment to fixed asset investment, its balance must have been upset by the relatively wider and greater impact of the inflationary situation on the current asset investment during the period reflected in larger needs of cash, inventories and receivables peculiar to individual enterprises within an industry and also to different industry groups. These inferences gain brighter focus if we examine the ratios of current asset investment and net working capital to fixed asset investment. The ratio of current asset investment to fixed asset investment gradually increased from 74.7 in 1969-70 to 122.4 in 1974-75 but for the decline to 84.2 in 1972-73. Similarly, the ratio of net working capital to fixed asset investment increased from 41.0 to 62.9 but for the fall to 46.8 in 1972-73. Also the total current asset investment peculiarly exceeded the fixed asset investment in 1973-74 and 1974-75 unlike the earlier years.

Table III shows that during 1969-75 'current liabilities' and 'equity/long-term loans' were the major forms of financing current asset investment, accounting for 94 to 74 per cent of its total financing. Second, the share of cash credits from banks increased gradually from six per cent in 1969-70 to over 20 per cent by 1972-73 and 1974-75 but fell to 16 per cent in 1973-74. Third, deferred credits and working capital loans from the

TABLE II

Fixed and Current Asset Investment and Working Capital of Public Enterprises

(Rs in crores)

	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75
Number of enterprises	90	96	100	110	122	129
Fixed asset investment	2947.91 (32.8)	3293.99 (34.3)	3507.30 (35.1)	4147.23 (37.7)	4422.57 (36.3)	509.861 (39.5)
Current asset investment	2203.34 (24.5)	2659.48 (27.7)	3195.01 (31.1)	3493.14 (31.8)	4681.73 (38.4)	6242.65 (48.4)
Working capital (Net working capital)	1207.95 (13.4)	1511.78 (15.7)	1815.53 (18.2)	1940.53 (17.6)	2272.96 (18.6)	3207.25 (24.9)
Current asset investment to fixed asset investment (%)	74.7	80.7	91.1	84.2	105.9	122.4
Working capital to fixed asset investment (%)	41.0	45.9	51.8	46.8	51.4	62.9

Figures in brackets denote average amount of investment.

central government played a very minor role as farms of financing.

It may also be observed that with the increased use of cash credits from banks as a form of working capital finance, the change in the share of current liabilities remaining marginal, the use of 'equity/long-term loans' for financing current asset investment declined from over 48 per cent in 1969-70 to over 28 per cent in 1972-73. Second, its role declined in 1973-74 on account of a significant increase in the share of current liabilities as a form of financing, 'Cash credits from Banks' having registered a decline. The increased use of current liabilities to finance current asset investment in 1973-74 comes into sharp focus if we observe that the ratio of working capital to current asset investment declined from 55.6 per cent in 1972-73 to 48.5 per cent in 1973-74. Finally, it would appear that in 1974-75 cash credit as a form of working capital finance seemed to have brought about a decline again in the role of equity/long term loans, with the share of current liabilities having registered a fall as compared to 1973-74.

declining share

Thus it can be said that the share of 'equity/long-term loans' as forms of financing permanent working capital—net working capital—began to decline with the increased resort to cash credits from banks, and to an extent the increased role of current liabilities in 1973-74 and 1974-75. The significant decline in the ratio of working capital to current assets in 1973-74 as compared to 1971-72 and 1972-73 reflected the significant decline in the share of long-term sources to finance current asset investment. But the position appeared to have been slightly rectified in 1974-75 with a decline in the use of current liabilities. Yet the position might need further improvement in view of the fact that the share of equity/long-term loans, a long-term source registered a further decline in that year.

In Table IV only running enterprises are considered leaving out 'Enterprises under Construction' because running enterprises formed a very large part of the total number of enterprises in all the years under reference and a study of working capital would assume greater relevance only with reference to running enterprises. The total number of running enterprises was 121 accounting for over 99 per cent of the total investment as well as net working capital, while the number of enterprises under construction was a meagre eight in 1974-75. Running enterprises are classified into two broad groups. viz., 'Enterprises Producing Goods' with their nine sub-groups and 'Enterprises Rendering Services' with their eight sub-groups. The relevant financial data for such group classifications are made available for years 1971-72 to 1974-75. For the purpose of our study, while we have retained all the nine sub-groups for producing enterprises, we have taken only three important sub-groups viz., trading and marketing, transportation services and contracts and construction out of the eight comprising "Service Enterprises".

Table V shows that whereas the average current asset investment increased by about 25 per cent in producing and about 19 per cent in service enterprises in

TABLE III

Forms of Financing Current Asset Investment in Public Enterprises

(Rs. in crores)

	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75
Current asset investment	2203.34 (100)	2659.48 (100)	3195.01 (100)	3493.14 (100)	4681.73 (100)	6242.75 (100)
Forms of Financing :						
Current Liabilities	995 39 (45 2)	1147.70 (43.2)	1379.48 (43.2)	1551.93 (44.4)	2408.34 (51.4)	3040.87 (48.7)
Cast credits	132.20 (6.0)	315.95 (11.8)	604.10 (18.9)	712.11 (20.4)	753.46 (16.1)	1244.29 (19 9)
Deferred credits	N.A.	N.A.	156.38 (4.9)	170.13 (4.9)	174.44 (3.7)	158.08 (3.0)
Working capital loans from central government	N.A.	N.A.	45.35 (1.4)	74.5 (2.1)	79.88 (1.7)	174.95 (2.8)
Equity/Long term loans	1075.75 (48.8)	1198.83 (45.1)	1009.60 (31.6)	984.92 (28.2)	1265.61 (27.0)	1597.63 (25.6)
Working capital to current Assets (%)	54.8	56.8	56.8	55.6	48.5	51.3

Figures in brackets denote the nercentage shares of the different forms of finsncing.
NA– Not Available.

TABLE IV

Fixed and Current Asset Investment and Working Capital of 'Running Enterprises' and 'Enterprises under Construction'

(Rs. in crores)

	Running enterprises				Enterprises under construction			
	1971-72	1972-73	1973-74	1974-75	1971-72	1972-73	1973-74	1974-75
Number of enterprises	93	103	115	121	7	7	7	6
Fixed asset investment	3474.91	4069.60	4402.34	5049.94	32.29	77.63	20.23	48.66
Current asset investment	3175.0	3453.73	4661.40	6190.31	20.01	39.41	20.33	52.44
Working capital (net)	1798.84	1907.61	2255 68	3156.87	16.69	32.92	17 28	50.38

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1973-74 as compared to 1972-73, the average fixed asset investment declined by about 12 per cent in the producing category while it increased by nearly 30 per cent in the case of service category. This tendency accounted for a significant increase in the proportion of current asset investment to fixed asset investment in the case of producing enterprises and a significant decline in the proportion in the case of service category in 1973-74. The ratio of current asset investment to fixed asset investment brings to bear clearly this particular position.

higher increase

In 1974-75, the average fixed and the current asset investments increased and the increase was relatively more striking in the producing category than in the service category. Second, in both these categories, there was a more than proportionate increase in the average fixed asset investment as compared to current asset investment with the result the ratio of current asset investment to fixed asset investment declined perceptibly in both the categories. Yet it is interesting to note that in the service category, current asset investment formed as high as 198 per cent of fixed asset investment. Third, the ratio of current asset investment to fixed asset investment when observed for the two enterprise categories over the period revealed strikingly high proportions of current asset investment to fixed asset investment in the case of service enterprises as compared to producing enterprises. The proportion of current asset investment to fixed asset investment in the case of service enterprises formed between six and three times the proportion for producing enterprises.

The conclusions which emerge from the above analysis are : Whereas in the case of producing enterprises the current asset investment formed a fraction of the fixed asset investment, it exceeded the fixed asset investment a few times in the case of service enterprises. Also, whereas the average fixed asset investment in service enterprises formed about one-third of that of producing enterprises, the average current asset investment more than equalled that of producing enterprises. While the generalisation that service enterprises require a smaller fixed asset investment and a larger current asset investment than producing enterprises can be accepted, the strikingly higher proportions and average amounts of current asset investments in the case of service enterprises cast doubts on their justification on merits of profitability. Second, the increase in the proportions of current asset investment to fixed asset investment in the case of producing enterprises by 1973-74 leads one to suspect inefficiencies setting into the working capital management of producing enterprises. But the significant decline in the proportions in 1974-75 might suggest managerial efforts to correct

TABLE V

Average Fixed and Current Asset Investment and Working Capital of 'Enterprises Producing Goods' and Enterprises Rendering Services'

(Rs in crores)

	Enterprises producing goods				Enterprises rendering services*			
	1971-72	1972-73	1973-74	1974-75	1971-72	1972-73	1973-74	1974-75
Number of enterprises	58	65	76	77	35	38	39	44
Fixed asset investment	32.8	54.0	48.7	77.9	11.8	14.6	18.1	24.1
Current asset Investment	31.1	31.6	38.9	53.1	39.1	36.8	43.8	47.7
Working capital (net)	16.0	15.6	17.5	24.6	24.8	23.5	23.8	28.9
Current assets investment to fixed asset investment (%)	59.0	58.5	79.9	68.2	332.0	251.1	242.4	198.3

*Include all the eight sub-groups therein.

TABLE VI

Forms of Financing Current Asset Investment in 'Enterprises Producing Goods' and 'Enterprises Rendering Services'

(per cent to total in each group)

	Enterprises producing/goods				Enterprises rendering/services			
	1971-72	1972-73	1973-74	1974-75	1971-72	1972-73	1973-74	1974-75
Current liabilities	48.5	50.7	55.0	53.7	36.6	36.1	45.7	39.7
Cash credits	15.7	16.6	13.5	15.2	23.3	26.4	20.7	29.6
Deferred credits	6.0	5.9	4.2	2.7	3.5	3.5	3.1	3.5
Working capital loans from central government.	2.4	3.6	2.7	4.2	. 0.2	—	—	0.2
Equity/long-term loans	27.4	23.2	24.6	24.2	36.4	34.0	30.5	27.0
	100.0	100.0	100.0	100.0	100.0	100.0	100 0	100.0
Working capital to Current assets (%)	51.5	49.3	45.0	46.3	63.4	63.9	54.3	60.3

over-investment in current assets which is implied more significantly in the case of service enterprises where the ratio of currrent asset investment to fixed asset investment showed a perceptible decline over the period.

In the case of producing enterprises, there was about 25 per cent increase in the average amount of current asset investment for a 10 per cent decline in the average amount of fixed asset investment in 1973-74 as compared to 1972-73. And as compared to 1973-74, there was a 36 per cent increase in current asset investment for a 60 per cent increase in fixed asset investment. In the case of service enterprises, there was a 20 per cent increase in current asset investment for a 25 per cent increase in fixed asset investment in 1973-74 as compared to 1972-73 and in 1974-75, a nine per cent increase in the former for a 33 per cent increase in the latter. Thus we observe fluctuating proportionality and direction as between the two types of investments in both the enterprise categories. This brings us to highlight the absolute need for devising working capital norms in relation to fixed asset investment and turnover for public enterprises also keeping in view the contemporary working capital management in the private corporate sector as well as the needs of the public enterprise system. This becomes more pertinent in the case of producing enterprises where we observe that the ratio of current asset investment to fixed asset investment fluctuated with alternate highs and lows.

Table VI (p. 813) shows that both producing and service enterprises resorted to extensive use of current liabilities as a major form of financing current assets year after year. But as compared to service enterprises, producing enterprises had a greater resort to this type of financing. This might appear logical in view of the relatively larger raw material and stores needs of producing enterprises. Next, service enterprises as compared to producing enterprises made relatively larger use of cash credits, equity and long-term loans. In 1974-75, as compared to 1973-74, the resort to cash credit was relatively larger in the case of service enterprises than in the case of producing enterprises. It is interesting to note that working capital loans from central government were practically not made use of. Deferred credits played a very minor role as a form of finance in the case of service enterprises, but in the case of producing enterprises, their role was not insignificant though small.

Table VII presents the relevant data for the several enterprise sub-groups of producing and services categories.

Here are our observations about the producing category:

(1) The average amounts of current

TABLE VII

Average Current Asset Investment and Working Capital of Different Enterprise Groups

(Rs in crores)

	Current asset investment				Working capital (net)				Percentage of current asset investment to fixed asset investment			
	1971-72	1972-73	1973-74	1974-75	1971-72	1972-73	1973-74	1974-75	1971-72	1972-73	1973-74	1974-75
Enterprises Producing Goods												
A. Basic material:												
1. Steel group	504.7	186.1	260.5	303.7	323.9	115.5	156.4	117.3	42.8	43.5	57.4	42.0
2. Minerals and metals group	19.6	19.3	24.6	37.5	9.2	11.9	13.4	18.2	31.5	40.2	52.0	51.0
3. Petroleum group	33.9	35.6	73.4	92.0	13.8	12.0	19.3	28.5	56.3	54.9	119.9	93.8
4. Chemicals and pharmaceuticals group	17.3	16.1	19.1	26.8	8.0	9.3	9.0	13.2	36.3	27.4	29.9	27.0
B. Capital goods:												
1. Heavy engineering group	48.5	60.3	69.9	110.5	22.2	22.2	30.1	50.1	131.26	114.4	239.0	180.4
2. Medium and light engineering group	13.9	16.2	16.0	20.9	11.0	10.1	9.3	11.4	214.4	233.6	241.2	180.4
3. Transport equipment group	29.7	40.6	46.4	48.8	11.0	15.2	17.3	18.4	137.0	157.0	173.5	145.7
C. Consumer goods:	3.1	3.1	3.3	4.7	2.5	2.0	2.1	2.3	62.6	78.9	82.5	72.0
D. Agro-based goods:	3.9	4.5	4.1	6.3	2.2	2.5	2.2	2.3	251.1	268.1	337.4	355.6
Enterprises Rendering Services												
1. Trading and marketing services group	93.8	66.8	87.5	78.9	60.1	62.8	44.6	46.3	1219.3	923.3	1036.9	1042.5
2. Transportation services group	24.2	22.7	27.1	30.9	11.9	10.3	9.2	10.9	28.7	37.2	34.1	25.1
3. Contracts and Construction Services group	11.8	11.1	13.7	18.8	0.7	0.8	1.8	3.2	533.1	451.4	456.2	338.6

asset investment and working capital were the highest in the steel group followed by heavy engineering, petroleum and transport equipment groups. In 1974-75 the average current asset investment for these groups ranged from Rs 303.7 crores to Rs 48.8 crores while working capital ranged from Rs 117.3 crores to Rs 18.4 crores.

(2) The ratio of current asset investment to fixed asset investment was the highest in the agro-based goods group followed by medium & light engineering, heavy engineering and transport equipment groups. In 1974-75 the ratio of current asset investment to fixed asset investment ranged from 355.6 to 145.7 per cent for these groups.

(3) The average amounts of current asset investment and working capital were the lowest in consumer goods group followed by agro-based goods, medium & light engineering and chemicals & pharmaceuticals groups. In 1974-75, the average current asset investment for these groups ranged from Rs 4.7 crores to Rs 26.8 crores while the average working capital ranged from Rs 2.3 crores to Rs 13.2 crores.

lowest percentage

(4) The ratio of current asset investment to fixed asset investment was the lowest in the case of chemicals & pharmaceuticals group followed by steel, minerals & metals and consumer goods groups. In 1974-75, the ratio of current asset investment to fixed asset investment ranged from 27.0 to 72.0 per cent for these groups.

(5) The ratio of current asset investment to fixed asset investment showed an increase by 1973-74 in all the industry groups. The increase was strikingly high in petroleum, heavy engineering, agro-based goods and steel groups. But in 1974-75, except for the agro-based group, there was a perceptible decline in the ratio in the case of petroleum, heavy engineering, medium & light engineering, transport equipment and consumer goods groups.

Here are the salient points about the service category:

(1) Among the trading and marketing, transportation services and contracts and construction groups, the average amounts of current asset investment and working capital were the highest in trading and marketing group and the lowest in contracts and construction group. In 1974-75, the average current asset investment ranged from Rs 78.9 crores to Rs 18.8 crores while the average working capital from Rs 46.3 crores to Rs 3.2 crores.

(2) The ratio of current asset investment to fixed asset investment was the highest in trading and marketing group and the lowest in transportation services group. In 1974-75, the ratio of current asset investment to fixed asset investment ranged from 1042.5 per cent to 25.1 per cent.

(3) The ratio of current asset investment to fixed asset investment showed a significant increase by 1974-75 in trading and marketing services group while there was a highly perceptible decline in transportation services and contracts and construction services groups.

Table VIII presents the data relating to forms of financing. The following observations emerge:

(1) Current liabilities as a form of financing current asset investment predominated in petroleum and transport equipment groups followed by heavy engineering and chemicals and pharmaceuticals group. In 1974-75, its share ranged from 69.0 to 50.9 per cent in these groups.

(2) Cash credits were a highly significant form of finance in the case of transport equipment and consumer good groups. During the period 1971-75 it share ranged from 45 to 30 per cent. The other significant users of this form of financing were heavy engineering and medium and light engineering groups.

(3) The largest user of deferred credits and working capital loans from central government was chemicals and pharmaceuticals group. Deferred credits varied between 38 and 19 per cent while working capital loans from the central government between 40 and 23 per cent of the total financing during the period.

(4) Equity/long-term loans as a form of finance predominated in agro-based goods and steel groups accounting for 50 to 58 per cent of the total finance during 1971-74 and 36 to 49 per cent in 1974-75.

(5) In consumer, agro-based, and minerals and metals groups, current liabilities as a form of finance increased their share significantly by 1974-75. Equity/long-term loans showed declines in almost all the groups, the only exception being the petroleum group which increased the share of equity/long-term loans from 13 per cent in 1973-74 to 24 per cent in 1974-75.

(6) Deferred credits and cash credits as forms of financing were absent virtually in agro-based goods group, while the former was significantly low in steel, medium and light engineering, heavy

Eastern Economist 30 Years Ago

OCT. 25, 1946

Indian industrialists and other businessmen desirous of buying goods in the United States will find a much more favourable market within the next twelve months or even possibly sooner, in the opinion of private economists and many government experts. Although there is naturally a disagreement concerning the eventuality from so nebulous a position as just at present when price peak is reached an interesting aspect is that almost all economists believe that the downward trend of prices will take place not later than the next eighteen months and an overwhelming majority look for it within nine months from now. Some private economists even believe that an early spring will bring a sharp break in all prices.

One reason for the increasing belief that the end of post-war boom may well be in sight is the fact that all sectors of industry now report greater buyer resilience than has been encountered at any time since the end of the war. Despite large unfilled backlog orders for durable goods which statisticians report, there is increasing evidence that this backlog was predicated on certain price levels and that the majority of prices has now passed the point where this backlog can be considered to be overwhelming in its impact on the general United States economy. Another factor tending to discourage optimistic estimates as to how long the United States industry can be kept busy filling domestic orders, was the recently released report showing the accumulation of savings. It now appears that the upper ten per cent of the people in the United States hold the vast bulk of all war savings, and this is not conducive to a generally broad market.

engineering, transport equipment, minerals and merals, petroleum and consumer goods groups, and the latter in the steel group.

(7) Working capital loans from central government were absent in the case of steel, petroleum and agro-based goods groups while they were insignificant in minerals and metals, heavy engineering, medium and light engineering and transport equipment groups. In 1974-75 the consumer goods group recorded a four times fall in the use of working capital loans from the central government over 1973-74 while significant increase was observed in the case of heavy engineering and minerals and metals (6.8 per cent).

For the service category, the following points emerge :—

(1) Current liabilities formed between 94 and 81 per cent of the total financing in the case of contracts and construction services, equity/long-term loans playing a very insignificant role.

(2) Cash credits and equity/long-term loans put together accounted for more than 60 per cent of the financing in the case of trading and marketing in 1971-72 and 1972-73 but the share declined to a little less than 50 per cent in 1973-74, current liabilities gaining a significant increase in its share. But in 1974-75 their share rose to 58 per cent matched by a fall in current liabilities.

(3) Deferred credits were a significant form of finance accounting for 27 per cent in the case of transportation services in 1974-75, while current liabilities as a major form of finance increased its share from over 50 per cent in 1971-72 to over 66 per cent in 1973-74 and around 65 per cent in 1974-75.

Here are the broad conclusions of this analysis.

A. Current asset investment and working capital:

1. (a) As compared to 1969-70 the average amount of current asset investment—gross working capital—increased by 98 per cent in 1974-75 as against a 20 per cent increase in the average fixed asset investment.

(b) The average amount of current asset investment as well as net working capital was much higher in 'service enterprises group' than in 'producing enterprises group'.

(c) Among producing enterprises, steel group followed by heavy engineering, petroleum and transport equipment groups

TABLE VIII

Forms of Financing Current Asset Investment in Different Industry Groups

(Percent to total in each group)

	Current liabilities				Cash credits				Deferred credits				Working capital loans from central government				Equity/long term loans			
	1971-72	72-73	73-74	74-75	1971-72	72-73	73-74	74-75	1971-72	72-73	73-74	74-75	1971-72	72-73	73-74	74-75	1971-72	72-73	73-74	74-75
Enterprises Producing Goods																				
A. Basic Material																				
1. Steel group	35.8	37.9	40.0	41.6	6.3	7.1	6.4	9.1	0.4	0.3	0.2	0.1	—	—	—	—	57.5	54.7	53.5	49.2
2. Minerals and Metals group	53.2	38.6	45.8	51.5	13.2	12.4	14.3	12.7	6.9	5.3	3.4	2.4	0.3	2.3	1.8	6.8	26.4	41.4	34.8	26.5
3. Petroleum group	59.3	26.0	73.8	69.0	9.0	6.8	11.0	5.3	6.0	5.3	2.2	1.2	—	—	—	—	25.7	61.9	13.1	24.4
4. Chemicals and Pharmaceuticals group	36.3	42.4	53.0	50.9	13.8	13.0	9.0	5.6	27.6	37.6	27.8	19.2	22.9	39.5	30.2	29.8	N.A.	N.A.	N.A.	N.A.
B. Capital goods																				
1. Heavy engineering group	54.2	63.2	56.9	54.6	13.5	17.3	23.7	24.5	5.1	4.9	3.1	2.4	—	--	0.5	4.0	27.2	14.6	15.9	14.5
2. Medium and light Engineering group	21.2	38.2	41.5	45.2	19.9	23.1	22 9	22.9	—	--	3.4	2.8	0.4	0.7	1.1	1.0	58.5	38.1	31.1	28.1
3. Transport equipment group	63.1	62.5	62.8	62.4	45.0	39.0	34.6	30.7	5.4	4.4	3.6	0.7	0.9	1.1	1.3	2.7	N.A	N.A.	N.A.	3.6
C. Consumer goods	20.9	36.9	37.1	52.4	35.9	41.4	38.9	29.0	8.0	6.6	1.0	2.7	3.8	4.5	3.6	0.9	31.4	10.6	19.3	15.0
D. Agro-based goods	43.5	44.2	50.0	63.0	—	0.4	—	0.5	—	—	—	—	—	—	—	—	56.5	55.3	50.0	36.5
Enterprises rendering services																				
1. Trading and marketing services group	36.0	36.0	49.0	41.3	30.3	37.8	28.7	37.7	1.9	1.9	1.5	1.1	—	—	—	—	31.9	24.3	20.8	20.0
2. Transportation services group	50.7	54.6	66 2	64.8	3.1	5.6	5.7	2.9	19,5	19,5	18.7	27.1	—	—	—	2.3	26.6	20.3	9.5	3.0
3. Contracts and construction services group	93.0	92.6	81.3	83.4	4.5	4.2	11.0	11.1	—	—	—	—	—	—	—	—	1.5	2.3	7.7	5.5

N.A. — Not available because details of cash credit and deferred credit use for current and non-current purposes were not available. Hence equity/long-term loans figures could not be calculated.

had the highest average amounts, while consumer goods and agro-based goods groups had the lowest average amounts. Among service enterprises, trading and marketing group accounted for the highest figure while contracts and construction group had the lowest average amount.

2. (a) Since 1972-73 the rate of annual increase in average current asset investment was significantly higher than that of fixed asset investment in the public enterprise sector as a whole. This was relatively more significant in the case of 'producing enterprises' than in the case of 'service enterprises'. The increase was strikingly high in heavy engineering, minerals and metals, petroleum and steel groups among producing enterprises.

(b) The strikingly higher proportions and average amounts of current asset investment and working capital in the case of service enterprises and the abrupt spurts (fluctuating highs and lows) in the ratio of current asset investment to fixed asset investment in general indicated the absence of consistency in proportionality as between the current and fixed asset investments. It also pointed to the need for devising working capital norms in consonance with the objectives and the **assigned role of public enterprises.** In this connection it is useful to link current asset investment and working capital to turnover in the case of service enterprises as a criterion of working capital policy and planning for profitability.

3. The ratio of current asset investment to fixed asset investment was the highest in the agro-based group followed by medium and light engineering, heavy engineering and transport equipment groups. It was the lowest in the case of chemicals and pharmaceuticals group followed by minerals and metals, steel and consumer goods groups.

B. Forms of working capital financing:

4 (a) 'Current liabilities' and 'equity/long-term loans' were the major sources of financing current asset investment. As between 'producing' and 'service' enterprises, the former had relatively greater resort to current liabilities while the latter made relatively larger use of cash credits, equity/long-term loans.

(b) Current liabilities formed a very major form of finance in the petroleum group among 'producing enterprises' and in 'contracts and construction services' in the case of service enterprises.

(c) **Cash credits were a highly significan form of finance in transport equipmen and consumer goods groups among producing enterprises.**

(d) Agro-based goods and steel group among producing enterprises were th highest users of 'equity/long term loans' In the case of service enterprises, 'equity long term loans' accounted for over hal of the working capital finance in tradin and marketing group. But the share o equity/long-term loans' as major form o working capital finance in the publi enterprise sector began to decline o account of increased resort to cash credit and current liabilities.

(e) While service enterprises did no make use of 'working capital loans fron central government', chemicals and pharmaceuticals group among producin enterprises was the largest user of thi form of financing. Chemicals and pharmaceuticals group among producing enterprises and transportation services grou among service enterprises made significan use of deferred credits. But on the whol working capital loans and deferre credits played a very minor role as source of working capital finance.

APPENDIX

Number of Units—Industry Group-wise

	1971-72	1972-73	1973-74	1974-75
Enterprises Producing Goods:	58	65	76	77
A. **Basic Material**	25	31	34	35
1. Steel group	1	3	3	3
2. Minerals & metals group	7	11	13	13
3. Petroleum group	7	7	7	8
4. Chemicals & pharmaceuticals group	10	10	11	11
B. **Capital Goods:**	26	26	32	32
1. Heavy engineering group	7	7	9	8
2. Medium & light engineering group	11	12	16	16
3. Transport equipment group	8	7	7	8
C. **Consumer Goods:**	5	6	7	7
D. **Agro-based Goods:**	2	2	3	3
Enterprises Rendering Services:*	43	48	46	44
1. Trading and marketing services	11	14	13	17
2. Transportation services	6	7	7	7
3. Contracts & construction services	4	5	5	5
Total of enterprises 'producing goods' and 'rendering services'	101	113	122	121

*Includes therein enterprises of five other groups which are not covered in the study.

Monetary unification in Europe

Prof R. S. Nigam* & V. K. Bhalla**

Reviewing the European monetary scene since 1969, the authors have come to the conclusion that the European Economic Community would not abandon the Snake as it was not only a currency structure but also a barometer of the political will of the area. They also feel that with the increasing weakness of the pound sterling and the inability of the US dollar to play the role of the key currency, the proposed European Monetary Union has a bright future ahead of it.

THE ESTABLISHMENT of the European Economic Community (EEC) in 1958 was a historically unique endeavour. Never before had a group of nation states sought, with any serious political intent, to unite by exploiting the forces of economic integration. In the forwarding documents of the EEC, i.e. the Treaty of Rome, there was no clear commitment to either a common currency or to a coordinated exchange rate policy. Certain broad objectives — high level of employment, stability in price level and external balances — were identified. It seems that probably in the fifties and early sixties, such issues as common monetary and fiscal policies and a common currency had been deliberately though tactfully avoided. Events, however, decreed it otherwise.

WINDOW ON THE WORLD

Throughout the early years (mainly the transition period) of the EEC there was a general naive assumption that the rates of exchange between the Six would in the future remain fixed. However, in the late sixties, changes in exchange rates, the threat that currency fluctuations were thought to pose for the Community's Common Agricultural Policy (CAP), the prospective completion at the end of 1969 i.e. the transitional period, as envisaged in the Treaty of Rome, the change in the presidency of France and the consequently improved prospects for the enlargement of the Community suggested a fresh impetus to be given to the process of European integration. A series of international monetary crises hastened the inter-governmental discussions. There were two reactions to this problem: one immediate, disorderly and practical; and the other planned, progressive and even somewhat introspective. The first was a series of exchange rate floats and relationships which came to be known as 'The Snake in the Tunnel'; the second was a series of proposals to the Commission, the Barre Plan and the Report of the Werner Committee to examine the objective of a common European currency.

The Werner Report called for full economic and monetary union (EMU) in the EEC within a decade. Monetary union, as envisaged in the Werner Plan, presupposes not only a locking of exchange rates among the national currencies of the EEC, but also provides for a single monetary policy under a central monetary authority, for collective demand management to meet agreed economic objectives, and for common debt management in the interests of monetary control. It pre-supposed, indeed, a subordination of national economic management to the collective will of the community and the decay of important instruments of national economic policy.

ensemble of actions

The broad substance of the Werner proposals, as amended by the EEC Commission, was adopted by the Council in a resolution and a series of decisions in February 1971, and an agreement was reached on an ensemble of actions to be taken during the first three-year stage beginning January 1, 1971.

The Werner Plan was valuable precisely because the requirements of EMU were stated directly. Just how far these were from contemporary practices was demonstrated, with excellent clarity, very soon afterwards. From 1971, the world was transformed by monetary upheavals which brought an end to the Bretton Woods era of fixed exchange rates. The gradual dismantling of exchange controls, the growth of multinational companies, the prolonged US balance of payments deficits, and the increasing importance of the Eurodollar market — all these combined to produce private financial liquidity and mobility on a scale which was greater than the official reserves of the west European central banks.

The tremendous upsurge in capital flows led in early May 1971 to the floating of the D-mark and some action by four other members of the Fund. The May 1971 crisis was the Common Market's golden opportunity to adopt a common personality in which it utterly failed. The

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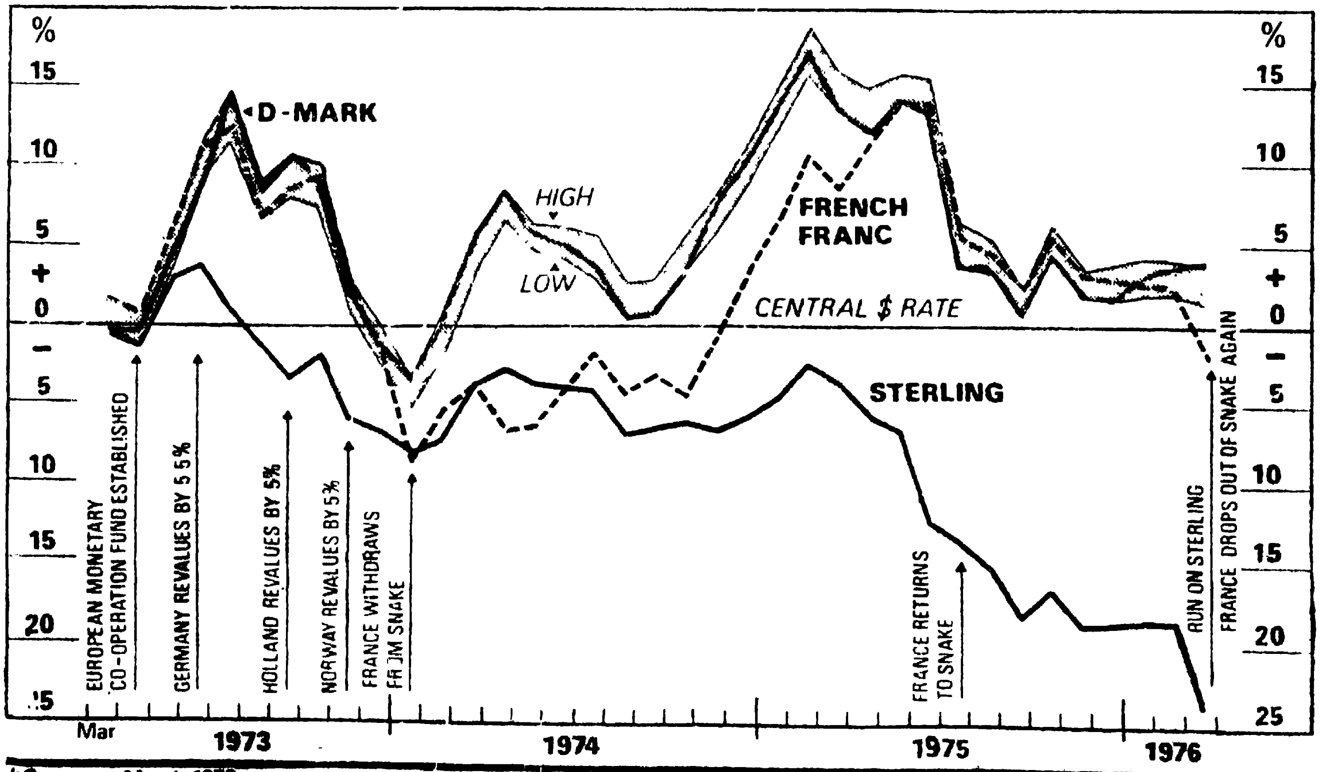
French were pressing for the adoption of common controls whilst West Germany was advocating a common floating of the currencies. Unfortunately, most of the member states of the Community adopted their own ways — or almost. The Netherlands and West Germany allowed their currencies to float whilst Belgium allowed an official black market for speculative purposes to develop and the commercial franc remaining fixed. Outside the EEC, Austria and Switzerland revalued their currencies.

The member countries were again unable — and for similar reasons to agree upon a common external policy in the face of new challenges posed on August 15, 1971 by the suspension of the convertibility of the US dollar into gold and other reserve assets. West Germany again proposed a joint float of the member currencies but this was rejected by France. Later on, Italy and BLEU (Belgium — Luxembourg Economic Union) joined West Germany and the Netherlands in allowing their currencies to rise against the dollar. France introduced a two-tier foreign exchange market and new controls on capital inflows, while maintaining the existing parity and intervention limits for current account transactions. The Netherlands and BLEU, however, were unable to agree on a joint floating of their currencies. From August 23, 1971 they allowed the maximum fluctuations of the guilder. Later in September 1971, the Commission's suggestion that SDRs (Special Drawing Rights) be the base of the world monetary system was rejected by West Germany.

The opportunity to proceed further was provided by the Smithsonian Agreement in Washnigton by the Group of Ten on December 18, 1971. The US dollar was officially devalued in terms of gold and of SDRs while the Japanese yen and the D-mark, as well as the Netherlands guilder and the Belgian franc appreciated. There was little or no change in the gold or the SDR value of other major currencies, and the Canadian dollar continued to float. This pattern of changes had the overall effect of leaving the value of the SDRs (and of reserve positions in the Fund) approximately unchanged in relation to major currencies in general. An important innovation was the widening of the band around the dollar vis-a-vis other currencies to 4.5 per cent. In principle, the adoption of this measure should have reduced the necessity of holding large reserves of gold and currencies.

With the prospects of the enlargement of the EEC the most important and immediate task was to retrieve the EMU from the ruins into which it had fallen. Thus in February 1972, President Pompidou and M. Giscard d'Estaing met Chancellor Brandt and Prof Schiller in Paris. This meeting produced a compromise between the two schools of thought in the field of monetary integration — the 'Economists' and the 'Monetarists', thus, agreed that all the members of the Common Market should control capital movements between the EEC and third parties, and they agreed on the organisation of short-term intervention throughout the Community to maintain the currencies within the 'Snake'. These agreements paved the way for the series of important ministerial decisions which were taken in Brussels on March 21, 1972. First, it was agreed that

The snake's wriggles Joint float — % deviations against February, 1973* central $ rates



*Germany March, 1973

Sources Bank of England IFS. End-month, last working day the margins around EEC currencies should be reduced to 2.25 per cent. This agreement accompanied by special arrangements for intra-EEC settlements of balances resulting from official interventions, was an important step toward implementation of the plan for monetary union of the EEC countries.

The narrowing of intra-Community exchange rate margins got under way on April 24, 1972. In the immediately preceding months, the spread between the highest and the lowest Community's currencies, in terms of their deviations from the central rate, had generally exceeded the specified band of 2.25 per cent. With the Council's March resolution, however, intra-Community exchange rates promptly moved within the range before the July 1, 1972 deadline. In anticipation of their accession to the Community, the UK, Ireland and Denmark joined the scheme on May 1, 1972 and Norway on May 23, 1972.

The new Community band was soon put to its first major test. By mid-June 1972, there was a massive speculative attack on the pound sterling. On June 23, the UK authorities decided not to maintain margins for their currencies in the exchange markets and withdrew from the narrow-margins agreement of the EEC (Ireland followed suit). The first major crisis, after the Smithsonian Agreement, however, was followed by large-scale speculative sales of the US dollars, as well as of Italian lira and Danish kroner.

ad hoc adaptations

As a consequence further ad hoc adaptation were made. Italy was authorized to settle its indebtedness under the EEC arrangement in US dollars rather than in proportion to its holding of various reserve media; Denmark temporarily withdrew from the EEC narrow-margins arrangement (upon rejoining the narrow margins arrangement in October 1, 1972, Denmark was authorised to make EEC settlements in dollars); and further controls on short-term capital flows among the EEC countries were imposed.

While the monetary upheavals registered in 1971-72 helped to bring about a broad consensus in favour of the desirability of a reform in depth of the international monetary system, there was no lack of difficulties and divergences over the direction to be given to the new system. In accordance with the responsibilities they shoulder in the Community, the member states, together with the acceding countries, endeavoured to work out a common position. Meeting in London on July 17-18, 1972, the ministers of Finance of the enlarged Community arrived at an agreement on the general objectives for the reformed international monetary system. Member states of the Community restated these objectives at the annual meeting of the International Monetary Fund (IMF), held in Washington from September 25 to 29, 1972. Generally speaking participants expressed their determination to open effective negotiations on the reforms of the IMF.

committee of twenty

The framework for such negotiations had been created as early as July 1972, by the setting up of the Committee of Twenty (C-T). Composed of ministers or central bank governors and, at deputy level, of senior national delegates, this committee was required to advise the Board of Governors and submit reports to it on all aspects of the reform of the international monetary system, including the drawing up of proposals for the amendment of the articles of agreement of the IMF. The committee started its work at the beginning of November 1972. To ensure that the countries of the enlarged Community maintain a common attitude within the Committee of Twenty (C-T), it had been agreed that the members of the monetary committee would meet whenever the need arose.

A succession of developments, however, shattered the confidence in exchange markets. These included, *inter alia* fears of the arrival of inflationary pressures in the US following the termination of phase II of the US price-wage control programme in January 1973, together with market reaction to the heavy deterioration of the US external current account from 1971 to 1972 and the continuation of balance of payments surpluses in Japan and elesewhere. Moreover, short-term interest rates in Europe began to rise sharply in the closing months of 1972, the strong upward movements continuing into 1973. These developments reflected a general shift in the stance of European monetary policy, induced by growing concern over intensification of inflationary pressures. It reduced considerably the incentives for investment of funds in the US dollar assets, even though the US short-term interest rates continued to advance.

vehicle currency

Another fact that militated against the strengthening of the dollar in some foreign exchange markets towards the end of 1972 was its use as a vehicle currency for the outflow of funds from Italy. In the latter part of January 1973, the Italian authorities announced the establishment of a two-tier exchange market for the lira in order to stem the outflow of capital and the loss of reserves. This arrangement, while resulting in a sharp depreciation in the rate of the lira (capital inflow only), did not prevent an acceleration of capital outflow through the newly established exchange market for capital transactions. The outflow of funds from Italy was directed largely to Switzerland. As a result Swiss franc appreciated to a premium of about six per cent over the rate established at the time of the Smithsonian Agreement.

Following these actions, heavy speculative sales of the US dollar occurred during the last week of January and early February 1973 and the major currencies appreciated sharply against the US dollar. In the first ten days of February, the flow of US dollar into official reserves of European countries and Japan approached $10 billion. On February 12, 1973, the US authorities announced that the president would ask Congress to authorise a 10 per cent reduction in the par value of the US dallar in terms of SDRs. In response to this US action, the authorities of most industrialised countries decided to keep the par values or central rates for their respective currencies unchanged in terms of SDRs or gold, thus allowing the proposed devaluation of the US dollar to be fully reflected in their exchange rates. The three major currencies that were already floating — the British pound, the Canadian dollar and the Swiss franc continued to do so, and the Japanese and

Italian authorities also allowed their currencies to float.

Speculation in the gold markets and continued rumours concerning the possibility of special arrangements limiting official exchange market intervention by some European countries to their respective currencies induced further heavy sales of US dollars late in February 1973 chiefly for those currencies for which the national authorities were then maintaining agreed margins for exchange transactions (Snake). Confronted by unprecedented offerings of dollars, especially against the D-mark, and by a growing belief among market participants that the system of fixed exchange rates was not viable under the prevailing circumstances and that the crisis was unlikely to be short-lived, the major European central banks and the Bank of Japan decided to close their official foreign exchange markets on March 2, 1973 and these markets remained closed until March 19, while the search for a solution of the crisis continued.

Mark revalued

After a series of inter-governmental meetings, six member countries of the EEC — the Benelux, Denmark, France and West Germany — decided to maintain arrangements limiting the fluctuations between their currencies to 2.25 per cent under Snake, but no longer to ensure that exchange rate for the US dollar would be kept within the margins previously agreed upon. The EEC Council agreed that close and continuing consultation on monetary matters would be maintained among the national authorities involved. To assist in the orderly adjustment of exchange markets to the new circumstances, the German authorities decided to revalue the D-mark in terms of SDRs by three per cent. The special arrangement among the above Six EEC members was soon joined by Norway and Sweden. Three EEC members — the UK and Italy which were still permitting their currencies to float outside the Snake, and Ireland whose currency remained linked to the British pound — expressed the intention of associating themselves with the arrangement as soon as circumstances allowed.

After a period of comparative quiet trading in foreign exchange markets, strong pressures re-emerged in mid-May 1973, leading to a sharp appreciation of continental European currencies in terms of US dollar and to marked tension among the currencies participating in the Snake. On June 29, 1973, the German authorities communicated to the IMF as new central rate that revalued the D-mark by a further 5.5 per cent. Later in the year, the Netherlands and Norway also revalued their currencies by five per cent to facilitate the operation of the Snake.

common standpoint

Meanwhile, the Community Finance ministers adopted a common standpoint on the reform of the international monetary system and thereby gave fresh impetus to the work of the Committee of Twenty of the IMF. Acting in their name, the president in office of the council presented their standpoint to the general assembly. The statement included constructive suggestions on such fundamental questions as the adjustment process and convertibility rules.

In the process of adjustment, considerable use should be made of objective indicators, including an indicator showing the trend of reserves. To make agreement easier, the Community favoured the idea that pressure should be brought to bear on countries which accumulate excessive reserves. However, it was convinced that adjustment policies should be chosen on the basis of a general appraisal of all the factors involved rather than according to an automatic mechanism.

The Community was very much in favour of compulsory and multilateral system of convertibility in which all national currencies had equal rights and obligations. Previous inequalities could be corrected more easily by a system of intervention in several currencies. The experience gained by cental banks of the Community in this field could be used as a basis for exploratory work which the deputies of the Committee of Twenty are to undertake in this field.

The Community common position was put forward, again by the president of the council on the valuation of SDRs and the interest rate on them, the strengthening of the structure of the IMF and committee's work programme at the fifth ministerial meeting of the Committee of Twenty which was held in Rome on January 17-18, 1974. The committee concluded that in view of the pace of world inflation and the rise in the price of oil, it was impossible to negotiate a full reform of the system in two years as had been planned when work began in September 1972.

On January 2, 1974, France notified the Fund that owing to the balance of payments uncertainties that would be affecting the international monetary system, it had decided to pull out of Snake for a period of six months on a provisional basis. France abolished the dual market system of exchange rate also on March 21, 1974. Similarly, Italy unified the exchange markets for the commercial and financial lira, effective March 22, 1974.

The desirability of avoiding disorderly fluctuations in exchange rates has been recognised throughout the floating period, and found expression in the "Guidelines for the Management of Floating Exchange Rates" adopted by the executive directors in June 1974.

tight conditions

Meanwhile, monetary conditions became exceptionally tight in the USA which resulted in substantial interest differential with European centres. This led to some rise of the US dollar against European currencies, although not sufficient to do more than partially offset the previous decline. Later in the year, the earlier tendency was resumed, as monetary conditions eased in the United States, and interest differentials narrowed substantially. On this occasion the upward movement of European currencies against the dollar continued for about five months, and resulted in a change in Snake/dollar rates by about 15 per cent. After touching a high point in early March 1975, the European currencies dropped moderately against the US dollar over the ensuing two months, and then started to rise again. On July 10, 1975, after a period of eighteen months, France joined the Snake again. It is said that French decision to rejoin was more political than economic. Britain, Italy and Ireland preferred to remain out of the Snake rather than to follow France's lead in making a prodigal return.

The EEC Commission devoted several meetings in preparing its contributions to work within the IMF. It provided material for the establishment of general lines of policy by the Finance Ministers' Conference in Venice on August 24, 1975.

In fact, the IMF Interim Committee, set up at the last annual meeting of the IMF and the IBRD (International Bank for Reconstruction and Development), broadly adopted the Community's position, but also reflected the same disagreements in this field; it was decided in August 1975, that pending the outcome of negotiations on the exchange ràte system, agreements on quotas and problems connected with gold would not be the subject of amendments to the IMF Articles of Agreement.

With regard to the five-yearly review of IMF quotas, it had already been agreed in June 1975 to increase the total by 32.5 per cent to step up the relative share of OPEC countries from 4.98 per cent to 9.96 per cent, but to leave the relative shares of all the other developing countries unchanged. On the basis of these decisions, the August 1975 meeting of the interim committee reached agreement on distributing among the industrialised countries the reductions in their quotas as proportion of the whole.

committee's agreement

The interim committee also agreed to abolish the official price of gold. The obligation provіously incumbent upon the IMF and upon national monetary authorities to accept gold in settlement of debts was, in principle, terminated. Transactions in gold carried out by members of the Group of Ten or by any other countries subscribing to the arrangements will be covered by a set of agreed rules separate from IMF articles.

In connection with the gold held by the IMF (about 150 million ounces), the interim committee decided on the restitution of 25 million ounces to its members at a price in their currencies equivalent to the official price of $42.22 per ounce; a further 25 million ounces would be sold either to central banks having first option, or on the market, at the highest official price, the proceeds to be devoted to aid the developing countries under arrangements to be determined. The balance of 100 million ounces will be used or allocated according to decisions which must be taken by an 85 per cent majority.

Further to the partial agreements reached during the year, preparatory work on the reforms of the international monetary system was stepped up in December, 1975. A conference of Finance and Economic Affairs ministers of the member states of the Community held on December 15, 1975 in Brussels enabled the Community to establish jointly agreed positions on the international monetary problems listed on the agenda of the Jamaica meeting. At the Jamaica meeting, a package agreement on a new international monetary system was reached. According to the committee, under the revised system, the current system of floating exchange rates would be legalised and the official price of gold would be abolished. The committee also agreed to increase by 1/3rd quotas the amount of money each of the 128 IMF members pay to the Fund and also determine a nation's floating power and borrowing ability.

gold holdings

The interim committee also agreed that the Fund would sell 1/6th of its existing gold holdings at market prices, which would raise about $25 billion in profits. The money thus raised would be used by the Fund to assist developing nations faced with balance of payments difficulties. At the same time the IMF would make available an equal amount of gold at the official price of $42.22 an ounce, to all member countries which would provide from $400 million to $500 million to the trust fund. The ministers and central bank presidents constituting the committee agreed to ease payment conditions on money lent by the IMF for the benefit of poorer nations.

Meanwhile, the Swiss franc kept on knocking but still could not get in the Snake on account of the so-called 'Technical Grounds'. Anyhow, the Snake got another blow in March 1976 due to the French franc pulling out of narrow margins arrangements of the Community. The British pound and the Italian lira left long ago and are not likely to return with the French franc's exit for the second time*; only four representing 45 per cent of the GNP of the group, now remain in the Snake. Of these, the D-mark looks like bursting out of its top skin, and the Belgian franc and Danish kroner out of its bottom one.

sustained pressure

This survey and analysis of the European monetary scene is tempted to conclude that the Snake is not to be abandoned by the Community. It is not only a currency structure but a barometer of political will. The Snake is to remain so far as Community's dream of the EMU is there (though paradoxically it is not entirely a Community institution, again, since the UK, Ireland, Italy and France are not in it while Norway and Sweden, neither of them members of the EEC, are associated Snake members). A move away from the Snake discipline is not desirable. It will tantamount to dropping the aim of the EMU altogether. It has been shown that there have been many occasions since March 1973, when it became necessary to intervene against individual currencies' excessive re- or de-valuation tendencies. But over the period observed every currency was affected by this at some point, so there was no sustained pressure to re- or de-value any single currency. It was possible only because of constant personal contact, and intensive foreign exchange management and currency swaps that never took place in pre-Snake days.

Stabilising foreign exchange and international monetary situation is in the vital economic interest of both the developed and developing countries. This has become important on account of the upheaval created by petro-dollars and also the experience of working of SDRs and other arrangements for appropriate level of international liquidity and flow of resources for developed to developing countries. With the virtual disbanding of the *Sterling area* arrangement and inability of the US dollar to play the role of key currency for international payments, the proposed European Monetary Union has a vital role to play in international liquidity and finance.

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* Benelux countries widened their own band from ± 1.5% to ± 2.25%

TRADE WINDS

Caltex Takeover

THE GOVERNMENT is to acquire 100 per cent ownership of the Caltex Oil Refining (India) Limited and its sister marketing company, Caltex (India) Limited, bringing almost the entire oil industry in the country under public control. Following negotiations with Caltex Petroleum Corporation Limited, USA, for acquisition of 100 per cent shares of Caltex Oil Refining Company and all the Indian assets and liabilities of Caltex (India) Limited, an understanding has been reached with the American company.

A Memorandum of understanding to this effect was signed recently by Mr B.B. Vohra, secretary, ministry of Petroleum on behalf of the President of India and by Mr F. H. Levenhagen, vice president, Caltex (India) Limited, Bombay, on behalf of the Caltex Petroleum Corporation. The formal agreement for acquisition of 100 per cent shares will be signed by December this year and it is expected that the takeover of Caltex would be effected by the government by January 1, 1977. However, the profits of Caltex Oil Refining (India) Limited and Caltex (India) Limited for the year 1976 would accrue to the government or the government company.

Under the memorandum of understanding, a net sum of Rs 13 crores is payable to Caltex Petroleum Corporation, USA in US dollars in five instalments for acquisition of their refining and marketing assets and operations in India. Caltex has agreed to supply on commercial terms 1.25 million tonnes of crude oil per annum from the Gulf for the next five years. This option to the government would give them the necessary flexibility and diversification of the sources of supply of crude oil to Indian refineries. As many as 1,584 workers and officers are employed in the two Caltex refining and marketing companies. Every wholetime employee or officer of Caltex would continue to be in service under the government company on the same terms and conditions unless and until their employment and terms and conditions of service are duly altered by the government.

Indo-Polish Trade

A high-level trade delegation from the People's Republic of Poland, led by their minister of Foreign Trade and Shipping, Dr J. Olszewshi, arrived in New Delhi on October 19, 1976, for trade talks with India. The Polish minister has come at the invitation of Prof. D.P. Chattopadhyaya, union Commerce minister, who is leading the Indian delegation in trade negotiations. As a result of the talks, a new long-term trade arrangement is to be concluded.

The trade between India and Poland has risen steadily over the last decade. From a figure of Rs 31.0 crores in 1963, the mutual trade rose to Rs 86.0 crores in 1973 and Rs 133.0 crores in 1974. In 1975 there was a record trade turnover of Rs. 200.0 crores. India's main imports from Poland include mining equipment, fertilisers, sulphur, castings and forgings and pharmaceuticals. India's exports to Poland include non-traditional items like cotton knitwear and hosiery, rayon and synthetic fabrics, various chemicals, machine tools, hand tools, pig iron and consumer durables.

Tea Gardens Taken Over

The government has directed the Tea Trading Corporation to take over for five years management of three sick tea gardens in Bengal, the consultative committee of Parliament on commerce was informed recently. The three estates are the Pashok Tea Estates and Vehtkvar Estate in Darjeeling district and the Looksan Tea Estate of Jalpaiguri district. This is the first time sick tea estates have been taken over by government for management, although the government had acquired the powers earlier.

Nobel for Friedman

The noble prize for economics has been awarded to Chicago University professor, Dr Milton Friedman, a leading advocate of the use of monetary policy to control inflation and a supporter of floating exchange rates. In awarding the 138,000-dollar prize, the Royal Swedish Academy of Sciences cited Dr. Friedman, 64, for his "achievements in the fields of consumption analysis, monetary history and theory, and for his demonstration of the complexity of stabilisation policy". He was the sixth American to be honoured with the award since it was established in 1969.

Prof Friedman, a prolific writer and outspoken conservative thinker, is best known for his contributions to monetary policy. He played an important role in demonstrating the advantages of flexible exchange rates over the Bretton Woods system of fixed parities which was abandoned in 1971. Among his best-known works are "Capitalism and Freedom" (1962) "Price theory : a Provisional Text" (1962). "A Monetary History of the United States 1867-1960" (with Anna J. Schwartz) (1963) and "The Balance of Payments: Free Versus Flexible Exchange Rates" (with Robert Roosa) (1967). The prize will be formally presented to Dr Friedman on December 10 at Stockholm.

Indo-Bulgarian Joint Commission

The Indo-Bulgarian Joint Commission for Economic, Scientific and Technical Cooperation held its plenary session in New Delhi recently. The Indian delegation was led by Mr Jagjivan Ram, minister of Agriculture and Irrigation and the Bulgarian delegation by Mr. Nikola Kalchev, minister of Machine Building and Metallurgy. Welcoming the Bulgarian delegation, the Indian co-chairman, Mr. Jagjivan Ram, observed that the present session of the joint commission was of special significance in view of the forthcoming visit of the Bulgarian President to India next month. Referring to the notable industrial development achieved both by India and Bulgaria, Mr Jagjivan Ram pointed out to the need of identifying new areas of economic cooperation which could be complementary to the two economies. In this context he made a special mention of the assistance being extended by Bulgaria in setting up of two Agro-industrial complexes, one each in Karnataka and Bihar.

The Bulgarian co-chairman explained the economic achievements made by Bulgaria in recent years and expressed the hope that the current session of the joint commission would lead to further diversification and extension of trade and economic cooperation between India and Bulgaria. The working groups set up under the Joint Commission were engaged in framing joint conclusions in various fields, such as agriculture and food processing industry, machine building and heavy industry, electronics, chemicals and pharmaceuticals, science and technology and trade exchanges.

Conference of Tax Executives

A two-day All-India Conference of Tax Executives will be inaugurated in New Delhi on October 29, 1976, by the union Finance minister, Mr C. Subramaniam. The conference is being held under the auspices of the Federation of Indian Chambers of Commerce & Industry. The agenda for the Conference includes such topical subjects as the issues before the Indirect Taxation Enquiry Committee, the Corporate Tax Structure, Taxation of Capital Gains and Disclosures under the Companies Act, 1956. It will be for the first time since the appointment of the L.K. Jha Committee on Indirect Taxation that an all-India conference of this nature will be discussing the issues referred to the Committee. The Committee, appointed in July, has been asked to review the existing structure of indirect taxes at the central, state and local levels in all its aspects. One important suggestion before the Committee is to examine the feasibility of adopting some form of value added tax in India. Value added tax has been adopted in several European countries.

Faridabad Trade Fair

The Faridabad Industries Association is organising a seven-day trade fair at Faridabad from December 27, 1976 to January 2, 1977. The fair is expected to be inaugurated by the president, Mr Fakhruddin Ali Ahmed.

Coinciding with the silver jubilee celebrations of the FIA, the fair is aimed at projecting the image of the Faridabad industrial complex not only within the country but also abroad as a dependable supplier of a large variety of items. It is also intended to provide an exposure to the various units in Faridabad to the manufacturing facilities and technical expertise available within the complex.

Various seminars are being programmed for the occasion. Of particular significance will be the seminars on the setting up of technology and material exchange banks. These two banks, it is hoped, will facilitate horizontal transfer of technology and help in facilitating procurement of some small quantities of raw materials by the industrial units from within the complex itself. Buyers-sellers meets also are proposed to be organised.

The fair would be divided into nine broad categories of iron and steel and other metal industries; electrical and telecommunication equipment; transport and automobile industries, including spares and ancillary industries; industrial, agricultural and earthmoving machinery and machine tools; mechanical engineering and hand tools; chemicals and dyes, including plastics; paper, paper products, printing machinery and packaging; glass; cement and ceramics manufactures; and textile and readymade garments.

Primarily belonging to the first generation of industrial entrepreneurs, the Faridabad manufacturers claim that they have developed very sophisticated technologies and competence which can be availed of not only within the country but also in various developing countries. With a view to projecting the image abroad, the trade fair authorities propose to invite to the fair commercial counsellors of foreign embassies here.

Conference on Standardisation

A two-day all-India conference on Standardisation of Specifications and Construction Practices, was held here on October 12 and 13, 1976. The conference discussed problems connected with bringing about maximum economy and efficiency in the massive rural electrification programme undertaken in the country, through the standardisation of equipment and construction practices. It also discussed the progress so far achieved in this field and finalise some new specifications and construction practices for use in the execution of these projects which are vital to the country's economic development.

Besides representatives of the union ministry of Energy, the Central Eelectricity Authority and the Planning Commission, more than 100 delegates including chairman and chief engineers of the state electricity boards and representatives from rural electric Cooperatives, manufacturing companies and various scientific and other institutions participated in the two-day deliberations.

National Plan for Edible Oil

The union government has drawn up a three-pronged strategy for a "national plan for edible oilseeds" to increase production of oilseeds, develop systematic marketing of oilseeds and encourage socially-oriented oilseed processing industry. The proposed national plan follows the realisation that oilseeds, serving as a raw material for the edible oil industry in the country, have acquired an important position in the national economy.

The five major oilseeds, namely, groundnut, rapeseed, mustard, sesamum, linseed and castor with a total value of more than Rs 1,200 crores are grown practically all over the country. The total area under oilseeds at present is estimated around 16 million hectares forming about 10 per cent of the total crop area in the country. Groundnut alone occupies an area of 7.3 million hectares, followed by rapeseed-mustard covering an area of 3.3 million hectares, sesamum, linseed and castor cover 2.5, 1.7 and 0.4 million hectares respectively.

No Export of Wheat

The government does not have any proposal under consideration for the export of wheat, it was stated recently by a spokesman of the union ministry of Agriculture and Irrigation. India had already exported superior qualities of rice such as basmati as also barely, but wheat export is out of question at present.

Maharashtra State Financial Corporation

The Maharashtra State Financial Corporation has sanctioned 15 loans aggregating Rs 38.22 lakhs. Of this, three loans amounting to Rs 5 lakhs are for projects in the Nagpur region. With this, the corporation's sanctions during the period April to September this year total 617 loans for Rs 867.44 lakhs.

Since its inception in 1962, the MSFC has sanctioned 9,239 loans totalling Rs 131 crores. In 1975-76, it has sanctioned assistance of Rs 26.31 crores to 1,319 units. In this, the share of sanction to the small scale industries was 93 per cent against 89 per cent in the previous year. Nearly 960 loans for Rs 13.04 crores sanctioned in 1975-76 were for the industrially backward regions of Maharashtra as against 616 loans for Rs 13.78 crores sanctioned in the previous year.

Rubber Exports

The government has permitted export of additional quantity of 4,000 tonnes of natural rubber providing relief to growers who were faced with the problem of stock accumulation. Growers have also been allowed to arrange export deals either individually or through a group of growers. Actual exports, however, will be effected by the State Trading Corporation. This was announced recently by the Commerce minister, Prof D.P. Chattopadhyaya, at a meeting of the parliamentary consultative committee attached to his ministry. The committee reviewed the problems and prospects of tea, jute, shellac, cashew non-edible oils, iron-ore, besides rubber. With the additional quantity of rubber allowed to be exported, total rubber exports during the current year will be 15,000 tonnes, the commerce minister stated. During discussions members pleaded for a revision in the minimum price of rubber and decanalisation of rubber export. On revision of minimum price, the Commerce minister said the issue has been referred to the cost accounts branch of the Finance ministry with a directive that its report should be available within three months.

Small Scale Plastic Units

The ministry of Industry has decided to permit small-scale units manufacturing plastic goods to register their demands of low density polyethylene and high density polyethylene directly with the Chemicals and Pharmaceuticals Corporation. It will no longer be necessary for them to apply for their requirements of these raw materials through the state directors of industries and licensing authorities. This decision was taken at a recent meeting between Mr I.C. Puri, additional secretary and development commissioner of small scale industries and the chief controller of imports and exports. The small-scale units have been asked to register their requirements with the Chemicals and Pharmaceuticals Corporation by November 30, 1976.

In the above context, it would be of interest to industry that the ministry of Finance has also reduced the import duties on LDPE and HDPE from 175 per cent *ad valorem* to 103 per cent and 75 per cent respectively. The effect of this cut in duty will be to make imported materials available through the Chemicals and Pharmaceuticals Corporation to small-scale units at the same price as that of indigenous raw materials. This will also help in overcoming the shortages of LDPE and HDPE.

Super-Alloy Plant

In about two years time, indigenous capabilities will be established to meet the needs of a number of sophisticated and strategic alloys required by several vital industrial sectors. These include nuclear energy, power generation, aeronautics, chemical engineering, space science and electronics. This information was given by Mr V.N. Gadgil, minister of Defence Production, while inaugurating the Silver Jubilee celebrations of the Air Armament Inspection Wing in Jabalpur recently. The minister stated that the main thrust of defence production effort was towards the twin objectives of modernisation of arms and equipment and achievement of progressive self-reliance and self-sufficiency. To achieve them, Mishra Dhatu Nigam, a public sector undertaking, was established in November 1973. It will begin production of tungsten and molybdenum alloys and magnetic cores by early 1979. Mr Gadgil added that purchase orders for major equipment such as vacuum furnaces, forging press, rolling mills, special heat treatment furnaces and other processing lines were to be placed soon and steps were also being taken to train in the country and abroad the technical personnel who would be deployed in key production, maintenance and application engineering.

Though the public sector undertaking was located in the defence sector, the Mishra Dhatu Nigam would provide uninterrupted supply of alloys to several key industrial sectors and provide impetus for better exploitation of natural resources of the country like titanium, nickel and chromium, which would serve as raw material inputs for this project. This project has been designed in such a manner that the production could be stepped up to more than twice the annual turnover with a marginal investment of 15 to 20 per cent.

Deposit Linked Insurance

The board of trustees has approved a scheme of Deposit Linked Insurance to be extended to employees of provident fund organisations on the lines as is applicable to government servants. The central government scheme provides that on the death of a subscriber in service, the person eligible to receive provident fund will be sanctioned an additional amount equal to the average balance in the account of deceased government servant in the fund during the three years immediately preceding the death of the employees. But the subscriber must maintain a balance during these years ranging from Rs 1,000 to Rs 3,000 according to class of service.

The meeting which was presided over by Mr Balgovind Verma, deputy minister for Labour recently at Simla also approved setting up of sub-regional office at Rajkot. The government has sanctioned setting up of such offices at Asansol and Siliguri. The offices at Nagpur and Surat have already started functioning.

COMPANY AFFAIRS

Gujarat Steel Tubes

GUJARAT STEEL Tubes Ltd has reported a sharp decline in sales and profit during the year ended March 31, 1976. This was mainly due to extremely unfavourable conditions that prevailed at home and abroad. Production during the year under report was 20 per cent lower than in the previous year even though raw material was fully available. In the current year, however, production has picked up considerably.

The new tube mill for manufacturing pipes up to 200 mm o/d has already started production and the products have been well received both in the domestic and foreign markets. Sales during the year were lower at Rs 13.08 crores as compared to Rs 20.44 crores in 1974-75 while the net profit, recorded a sharp fall from Rs 79.17 lakhs to Rs 24.03 lakhs. The entire net profit was transferred to the general reserve. The directors have recommended a dividend of Rs 12 per equity share. A part of the dividend will be free of tax. The proposed dividend will absorb Rs 21.60 lakhs and will be paid out of the general reserve.

Export earnings amounted to Rs 2.75 crores as against Rs 3.16 crores in 1974-75. The export prices continued to drop further, making export a totally uneconomic proposition, in the absence of cash compensatory support from the government. Towards the end of the year, however, the government partly restored the cash compensatory support and has also increased it during the current year. The pick up in demand in export markets and the reintroduction of cash compensatory support by the government make the prospects on the export front bright for the current year. The government has approved the company's application for recognition as an eligible export house.

The company has received the government's permission for manufacture of pipes up to 250 mm o/d, for ERW precision tubes and for pipes and tubes of API specifications. Necessary steps are being taken for implementation of these projects.

Tata Chemicals

Tata Chemicals Ltd has reported considerable improvements in its working results during the year ended June 30, 1976. The company's income recorded a smart rise to Rs 38.66 crores from Rs 34.64 crores in 1974-75 while gross profit too improved from Rs 8.12 crores to Rs 9.09 crores. Out of the gross profit, the directors have allocated a sum of Rs 2.56 crores to depreciation reserve, Rs 2.30 crore for taxation and Rs 0.75 crore for investment allowance reserve. The disposable profit after these allocations amounted to Rs 3.48 crores and the entire amount was transferred to general reserve. The directors have recommended a dividend of Rs 7.14 per preference share and a dividend of Rs 1.70 per equity share. The preference shares will claim Rs 4.28 lakhs while the ordinary shares will absorb Rs 1.59 crores.

The board also decided to place before the shareholders at the next annual general meeting, a proposal to raise long-term funds up to Rs 250 lakhs in the form of an issue of 10½ per cent convertible bonds. The detailed terms of the issue will be finalised in due course in consultation with the Controller of Capital Issues, but it is presently proposed that the bonds will carry the right of conversion into ordinary shares of the company of Rs 10 each at a price not exceeding Rs 20 per share, such conversion right being exercisable at the end of five years from the date of allotment of the bonds.

Madura Coats

Despite adverse conditions in the yarn markets throughout the last 18 months and export markets in the second half of 1975, sales of Madura Coats Ltd during the year ended June 30, 1976, rose by Rs 13 crores from Rs 58 crores to Rs 71 crores —an increase of 22 per cent. The rise in sales value was principally due to increased production of wearable fabrics, in particular synthetic fabrics yielding a higher sales realisation per metre. There was a significant increase in the volume of thread production and to a lesser extent that of industrial textiles. The company expanded its range of woven design fabrics which have been well received in the market. In line with the company's policy that its products reach the consumer at fair prices, six more exclusive shops were established during the year.

Exports were maintained at the level of Rs 11.50 crores in spite of a number of constraints in the second half of 1975. Besides exporting to traditional markets such as the USA, the UK, Australia, New Zealand, Nigeria etc., the company made a breakthrough in difficult markets such as UAR, the USSR, Italy, Poland and Hong Kong. Exports to these new markets amounted to Rs 176 lakhs.

Gross profit before interest and depreciation amounted to Rs 548 lakhs as against Rs 532 lakhs in 1974 75. The pre-tax profit, however, declined to Rs 162 lakhs from Rs 179 lakhs. The directors have recommended an equity dividend of 10 per cent for 1975-76.

The research and development department of the company has made a major contribution towards developing new products such as cotton liner fabric for the rubber industry which was hitherto imported, dipped rayon cord for scooter tyres and fireproof canvas for defence. Sales of new products amounted to Rs 145 lakhs.

The company is planning to diversify into light engineering and as a first step has acquired land in Bangalore for setting up a unit to produce dye springs. The factory is scheduled to commence commercial production by February 1977. The company is also applying for a licence to manufacture miniature high precision dyecast parts from zinc or plastic. The company hopes to commence export of garments next year.

The company's new year has started on a promising note. Sales during the first quarter are 40 per cent higher than during the corresponding period of last year. The sales during the year are anticipated to be 25 per cent higher than that of last year. The full impact of 50 per cent increase in capacity in industrial looms will be seen during the current year. The company has commenced printing of fabrics both cotton and carbonised polyester shirtings. The company's performance in the export field during the first three months has been quite encouraging. The company has in hand export orders for over Rs 8 crores.

The benefits of the merger of Madura Mills and Coats are now beginning to show and the restructuring of the company on profit centre lines from the beginning of this month should pay dividends.

NMM International

In line with the latest international trends, a consortium for export of textile mill projects and machinery has been formed by three leading textile machinery manufacturers, viz. National Machinery Manufacturers Limited, T. Maneklal Manufacturing Co Limited and A.T.E. Pvt Limited. The export consortium has been formed under the name and style of NMM International.

NMM International is fully geared to render such services as preparation of feasibility and techno-economic studies for setting up of textile mills; planning of complete textile spinning, weaving and processing projects; offering and selecting complete range of textile machinery and all auxiliary services and equipment; erecting and commissioning of the equipment supplied; training of customers' personnel; designing and supervision of civil engineering work; designing and supervision of installation ot utility services such as airconditioning, humidification plants, electric power lighting facilities, fire fighting installations and total process piping; and assisting in management of textile mills, in respect of textile technology as well as general mill management.

The consortium will also undertake export of machinery and accessories manufactured by other textile machinery manufacturers on an individual basis, and generally act as an export house for exporting textile machinery, accessories and other engineering goods.

Hindustan Teleprinters

Despite drastic power cuts and other handicaps the turnover of Hindustan Teleprinters Ltd during 1975-76 reached the record figure of Rs 489 lakhs, as compared to Rs 366 lakhs in the previous year. The gross profit too shot up to Rs 109 lakhs, registering a sharp increase of more than 45 per cent over 1974-75. The net profit increased from Rs 29 lakhs to Rs 54 lakhs. A divident of 12 per cent was declared for the year, as compared to eight per cent last year.

During the year, the company produced 5857 units of teleprinter machines, recording an increase of 16.5 per cent over the previous year while the value of the production of spares increased by 31 per cent to Rs 75 lakhs.

The Research and Development Wing of HTL has made significant advancement by developing bi-lingual teleprinters i.e., English/Devnagari for the home demand and English/Korean for export market. The development work on Devnagari electric typewriter is now in progress. For the defence services, complete system on turn-key basis has been successfully developed and installed.

The HTL will be entering into the new line of production i.e., electric typewriters, with a target of 1000 numbers during 1976-77. The production of teleprinter machines will be stepped up to 7500 units and the value of spares is expected to reach Rs 100 lakhs. Regular production of new items developed by the R & D wing will also be taken up for production, which include

Department of Atomic Energy

On behalf of the President of India, the Director, Directorate of Purchase and Stores, Department of Atomic Energy, Bombay invites tenders as detailed below :

(1) DPS/HWP/PPF/541 due on 17.11.76. Supply of Carbon Steel Fittings as per Purchaser's tender specifications

(2) DPS/PPED/PPF/901 due on 25.11.76. Supply of Bellow sealed globe control valve (Pneumatic Diaphragm Operated) as per purchaser's tender specification.

(3) DPS/RRC/ENG/170 due on 15.11.76 Springs for Pipe Support hangers as per drawing and tender specifications. 1591 Nos.

(4) DPS/BARC/CAP/2234 due on 30 11 76 High precision combined 2-high/4-high hot and cold rolling mill, reversible with front and rear work tables, as per purchaser's specification –1 No.

(5) DPS/NAPP/PPED/PPF/39 due on 26 11.76. Supply of High pressure bellows sealed instrument shut off valves and three valve manifolds.

(6) DPS/NAPP/PPED/CAP/19 due on 10 11 76. Design, manufacture, assembly, testing, supply and guarantee of air drying plants, capacity 20MM^3/min (700 SCFM) complete with all accessories for Narora Atomic Power Project Unit 1 & 2, as per purchaser's tender document. 3 Nos.

(7) DPS/NAPP/(PPED) CAP/20 due on 11 11 76. Design, manufacture, assembly, testing, delivery and guarantee of electric motor driven non lubricated air compressors, capacity 14.86 NM^3/min (525 scfm) with all accessories for Narora, Atomic Power Project Unit 1 & 2, as per purchaser's tender document and drawings –6 Nos.

(8) DPS/BARC/R-5/FAB/25 due on 15 11-76. Preparation of shop drawings, manufacture, inspection, testing, packing and delivery at R-5 Project Site, Bhabha Atomic Research Centre, Trombay of Outer Deck Plate Assembly as per Purchaser's tender document and drawings. Qty : 1 Assembly.

(9) DPS/RRC/FAB/148 due on 17 11.76. Preparation of shop drawings, supply, manufacture, inspection, testing, assembly, crating, guarantee and delivery to Fast Breeder Test Reactor Site, Kalpakkam, Tamil Nadu of a set of four decay pits, one intermediate shield block and Rack for Plugs as per Purchaser's Tender document. Qty 1 No.

(10) DPS/RRC/FAB/139 due on 22.11.76. Manufacture and supply of Dry Type Shielding Glass Windows for alpha, beta, gamma lead cells of the following types as per Purchaser's specification and drawing.

Type—I Qty. 5 Nos.
Type—II 1 No

Tender documents priced Rs 20/- each for items at S. No. 1 & 2, Rs 30/- for items at S.No. 3, Rs 40/- for items at S. No. 4, Rs 50/- for items at S.No. 5 and Rs 100/- each for items at S.No. 6 to 10 and General conditions of contracts priced Rs. 0.50 except for items at S No. 8, 9 and 10 can be had from the Finance and Accounts Officer, Deptt. of Atomic Energy, Directorate of Purchase and Stores 3rd floor, Mohatta Building, Palton Road, Bombay-400 001. between 10 a.m. to 1 p.m. on all working days except on Saturdays. Tender documents and General conditions of contracts will be issued upto 23-11-76, 4-11-76 and 5-11-76 for items at S.No. 4, 6 and 7 respectively. Import licence will be provided except for items at S.No. 8 & 9 only if the items are not available indigenously. Tenders will be received upto 3 p.m. on the due date shown above and will be opened at 4 p.m. on the same day. The right is reserved to accept or reject lowest or any tenders in part or full without assigning any reasons.

davp 645 (249) 76.

data modems, outlet testers, error voltage counters etc.

Kothari (Madras)

Kothari (Madras) Ltd made a right issue of 14,80,000 equity shares of Rs 10 each at par in order to finance its caustic soda project, costing Rs 16 crores. The total equity capital of the company is Rs 2.23 crores. For this project, the company is to raise a total equity capital of Rs 278 lakhs consisting of 27,80,000 equity shares of Rs 10 each and the balance to be availed of by way of term loans from financial institutions and banks to the extent of Rs 1150 lakhs and the balance by way of internal generation amounting to Rs 172 lakhs.

The company had proposed to raise the equity capital of Rs 278 lakhs in two stages—one by issue of 14,80,000 equity shares of Rs 10 each at par as right issue and the balance of Rs 130 lakhs consisting of 13,00,000 equity shares of Rs 10 each at par as public issue.

Against the right issue, the company had received applications for shares of the value of Rs 195 lakhs consisting of 19,50,000 equity shares of Rs 10 each, payable at Rs 5 per share on application and the balance in two equal instalments as and when calls are made.

The applications referred to above have been received both from the shareholders and also from others. The response had been overwhelming and it was mainly due to the company having entered into an agreement for procurement of shares with the Investment Trust of India Ltd, who in turn, had made arrangements in the nature of sub-underwriting with some of the leading commercial banks like Central Bank of India, Bank of Baroda, United Commercial Bank, Vysya Bank Ltd, Bank of Maharashtra, etc.

The excess applications received were for 4,70,000 shares and because of this response, the company had applied to the Controller of Capital Issues for permission to allot shares by 'Private Issue' consisting of 8,00,000 equity shares of Rs 10 each at par, payable in the same proportion as that of right issue and thus reduce the public issue of Rs 130 lakhs to Rs 50 lakhs only.

The sanction has been received from the Controller of Capital Issues, to allot shares by private issue of the value of Rs 80 lakhs within a period of six months i.e. before March 1977 and the shares should be fully paid up before August 1977.

This will enable the company to allot the excess shares viz, 4,70,000 equity shares and the balance to make it 8,00,000 equity shares will be completed on the basis of applications as and when received by the company.

These fresh shares that will be subscribed for and allotted by the company before the closure of register of members for the purpose of payment of dividends for the financial year ended June 30, 1976 would be eligible for dividends on the same basis as the present equity capital of the company, in proportion to the amount paid up on the shares.

News and Notes

The new deposit scheme of **Syndicate Bank**, 'Suraksha Deposit Scheme' which provides a janta personal accident insurance policy to the depositor was launched with the signing of an agreement by Mr K.K. Pai, chairman of Syndicate Bank and Mr Ashok Goenka, chairman of the United India Fire and General Insurance Co Ltd, at a ceremonial function held a Manipal on October 6.

The scheme is one where the customers between the age group of 16 and 60 years need not pay the premium for the personal accident insurance but need deposit only a sum of Rs 500 for 61 months, which besides getting them the usual bank rate of interest, also secured for each of them a personal accident policy for Rs 10,000. The policy will be issued by the bank on behalf of the insurance companies without such formalities as prior medical-check up etc.

New Issues

Damodar Bulk Carriers Ltd is offering 9,49,880 equity shares of Rs 10 each for cash at par to the public for subscription. The subscription list for this fully underwritten issue opened on October 18 and will close on October 30 or earlier but not before October 20. The company was promoted in 1965 by V.M. Salgaocar and Brother Pvt Ltd, Goa, a company of the Salagaocar group and British India Steam Navigation Company Ltd, a company of the P and D Group, London. The company is carrying on the business as shipowners and ship charterers and as transporters of bulk cargo. In addition to owning and operating its own bulk carriers, the company also takes on charter, from time to time, when market conditions warrant, bulk carriers to carry bulk cargo from India to countries abroad. Further the company also operates a passenger-cum-cargo vessel M.S. Daman to West Asia (Gulf) ports.

The company has also entered into an agreement with Hindustan Shipyard, for the construction of multipurpose vessel of the Pioneer Class of 21,610 dwt at a cost of Rs 9.26 crores. The vessel is expected to be delivered to the company in March 1977. With the acquisition of this vessel, the company's operating capacity will increase from the present 228,633 dwt to 250,243 dwt. The company proposes to expand its fleet of bulk carriers to meet the increasing demand for carriers.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Madras Safe Deposit	June 30,1976	20.0	10.0
Kaycee Industries	June 30,1976	8.0	7.5
Blundell Eomite	June 30,1976	14.0	12.0
Tata Chemicals	June 30,1976	17.0	16.0
Kalpetta Estates	April 30,1976	20.0	3.5
Thana Electric Supply	March 31,1976	17.0	15.0
Frick India	March 31,1976	12.0	6.0
Same Dividend			
Modi Spg. & Wvg. Mills	April 30,1976	18.0	18.0
Reduced Dividend			
Sundaram Textiles	March 31,1976	12.0	15.0

MINISTRY OF DEFENCE
INDIAN ORDNANCE FACTORIES

General Managers of the following factories invite separate sealed tenders/applications for supply of the following:

ORDNANCE FACTORY, BHUSAWAL:

Procurement of steel tube ERW 54 MM OD x 1.6 MM thick wall in the length of 3 Metres—4800 and Steel tubing ERW/Seamless OD 47.2/47.4 x 1 MM thick wall in the length of 345 MM as per Drawing No. OFB/MISC/298. Nos. 6480.

Closing date 16.11.76. Tender forms available @ Rs. 2/- by crossed Postal Orders upto 15.11.76.

CORDITE FACTORY, ARUVANKADU (NILGIRIS):

Sodium Hexa-Meta Phosphate Chemically Pure. Kgs. 980. Tender forms available upto 27.10.76 on application free of cost.

AMMUNITION FACTORY, KIRKEE. POONA-3:

(1) Side packing plates painted with paint. Nos. 80000. (2) Linoleum Sheet Hessian Backed Plain. 520 Sq. Metres. (3) Carbon Steel Sheet. Kgs. 2715. (4) Closure Nozzle (for Rocket Practice 3.5 IN 1B) Drg. Pt. No. IR x 46 DCI 31356-A.

Closing date; 19.11.76 for item 1 & 2; 23.11.76 for item 3 & 4.

Tender forms available @ Rs 32/- for item 1; Rs 2/- for item 2, 3, 5, 6 & 7and Rs. 8—for item 4, by cash or Money Order. Applications for tender forms should reach by 5.11.76 for item 1, 2 & 3; 30.10.76 for item 4.

ORDNANCE FACTORY, BHANDARA:

(1) T. No, PV/SP/3018/688/RM/BF: Lime Unhydrated with 60% Calcium Oxide (to be supplied at Ordnance Factory Bhandara site in truck loads only). Qty. 800 M T.

(2) T. No. PV/SP/3018/699/RM/BF: Potassium Nitrate Grade-I. Qty. 4380 Kgs.

(3) T. No PV/SP/3018/746/RM/BF: Bag Polythene for packing as per drg. No. OFB a/NC/46, Thickness 0.1802 mm/700 gauge. Qty. 4,044 Nos.

(4) T. No. SP/3018/Cap/31: Plastic Extrusion machine for extruding sleeves. 1 No.

(5) T. No. SP/3018/Cap/32: Mixing/Kneading Machine-1 No.

(6) T. No. SP/3018/Cap/33: Injection Moulding Machine. 1 No.

Closing date: 30.11.76 for item 1 & 2; 28.12.76 for item 3; 30.12.76 for item 4, 5 & 6.

Tender forms available @ Rs. 2/- each upto 1.11.76 for item 1; 3.11.76 for item 2; 27.11.76 for item 3; 20.11.76 for item 4, 5 & 6 by cash or Money Order only. Money Order coupon should be superscribed with Tender Number.

RIFLE FACTORY, ISHAPORE;

Rolled Steel Tee Bar (ISNT-30) (30 mm x 30 mm x 3 mm). Specn; IS-1173-1957, Steel to specification; IS-226/69. Kgs. 8,766. Closing date 8.12.76. Tender forms available @ Rs. 5 by crossed Postal Orders and not by M.O. upto 25.11.76.

ORDNANCE FACTORY, DEHRADUN;

(1) T. No. PR/OFD/L/87: Stand Instrument Complete as per drg. No. CIW-1752, Sheet 1 & 2 and CIA (CS) 523 Sheet 1 & 2—132 Nos.

(2) T. No. PR/OFD/L/88: Object Prism Assembly (complete) to drg. No. IRDE-83/SA-1 for Episcope Tank No. 7. Qty 600 Nos.

(3) T. No. PR/OFD/L/97: (a) Aluminium Alloy Gravity Die Casting for Body Left as per drg. No. ODD/C/544. Qty. 5000 Nos. (b) Aluminium Alloy Gravity Die Casting for Body Right as per drg. No. ODD/C/545. Qty. 5000 Nos.

(4) T. No. PR/OFD/L/94: Tray Telephone without Strap Webs (item No. 4 & 5) as Drg No. V340—6142—1209. Qty. 771 Nos.

(5) T. No. PR/OFD/L/106: Bulb Miniature as per Drg. No. IRDE-1033/SA—9 2.5V, .35 Amp. Qty. 2050 Nos.

(6) T. No. PR/OFD/L/108: Mild Steel Sheet 18 BG (1.25 MM) thick size 8′ x 4′ to specn; IS-1079 Gr. ST-42-1079. Qty. 4050 Kgs.

Tender forms available @ Rs. 10/- each item by crossed Postal Orders. Applications for tender forms should reach by 5.11.76 for item 1; 12.11.76 for item 2; 16.11.76 for item 3 & 4; 20.11.76 for item 5 and 30.11.76 for item 6.

ORDNANCE FACTORY, KHAMARIA, JABALPUR:

(1) Timber Mango Planks Kiln Seasoned & Pressure Treated 25 mm x 102 mm x 1.2 m and up in unplanned condition. Specn: IS 5806 of 1970 supplementary schedule No. CIGS/SS/53(a). Unit; 30000 CDM.

(2) Lead Strip 2 mm thick x 50±0.635 mm wide specn: BS-1178. Unit: 2400 Kgs.

(3) Doosootee Scoured 91.44 CM Wide to Specn: IND/TC/0158(c). Unit; 7300 Metres.

Closing date 29.12.76 for item 1; and 5.1.1977 for item 2 & 3.

Tender forms available free of cost on application upto 22.11.76.

GUN CARRIAGE FACTORY, JABALPUR

(1) T. No. 76/442/56A: Saddle Base to drg. No. GCF MN 3272. 75 Nos.

(2) T. No. 76/440/56B: (a) Wolf Flexible shaft grinder FF 2 (Make Wolf or similar)—15 Nos. and (b) Wolf Portable heavy duty electric hand grinder 150 mm capacity type GQ-6 (Wolf or similar)—24 Nos.

(3) T. No. 76/441/56B: Filter Bench Vices hardened and ground jaws. (a) Capacity 150 mm—90 Nos. (b) Capacity 200 mm; IS 2586—1964. Nos. 14.

(4) T. No. 76/225/56A: Steel Round to specn. DEF 13 B group 6 or BS 970 EN 32A, B or C (a) 132 mm dia x standard length—4 M.T. (b) 120 mm dia x std. length—12 M.T.

(5) T. No. 76/226/56A: Steel round to specn DEF 13 B group 3 or BS 970 EN 8: (a) 158 mm dia x in standard length—8.50 M.T. (b) 152 mm dia x in std. length—12 M.T.

Closing date: 16.12.76. Tender forms available @ Rs. 5 each by postal orders upto 15.12.76.

SMALL ARMS FACTORY, KANPUR:

(1) T. No. 3037/SAF/253/OT/PV: Steel round 30 MM dia to specn; AISI-410. M/T: 3.

(2) T. No. 3037/SAF/254/OT: Silver Brazing Alloy (W/O Nickel) Rods and foils in various thickness and sizes (4 items) to specn: IS: 2927—1964—Gr. BA-CU Ag. 10. Total requirements: 245 Kgs. of 4 sizes combined.

(3) T. No. 3037/SAF/251/OT/PV: Forging of Blanks for washer for Grooved nut as per SAF sketch No. TU/669*1. Nos. 8650.

(4) T. No. 3037/SAF/252/OT/PV: Float Rectifier specn; Input—200-250 volts AC-1 50/C/S Output—Float 50-4-52-8 VDC 10 Amps. Boost 62-4 VDC 10 Amps with Automatic stabiliser for DC. No. 1.

(5) T. No. 3037/SAF/250/OT/PV: Traction Battery type 40 TPG 4 D, 80 V 161 Amps. H.R.C. at 5 hours rate for Bulgarian Battery Truck. 3 Nos.

Closing date; 7.12.76 for item 1 & 2; 14.12.76 for item 3; 17.12.76 for item 4; and 31.12,76 for item 5.

Tender forms available @ Rs. 20 each item upto 13.11.76 for item 1 & 2; 20.11.76 for item 3 & 4 and 3.12.76 for item 5 by crossed Postal Orders or Bank Draft.

ORDNANCE EQUIPMENT FACTORY, KANPUR;

(1) T. No, PV/607: Cord Cotton 6 MM blue specn. No. IDN/TC/0282(g). Kgms. 2000.

(2) T. No. PV/606: Line coir 6 mm CIR specn. No. IND/TC/2320(b). Kgms. 10360.

(3) T. No. PV/516/RP: Leather buffalo vegetable TD. Butt pieces size: 406.4 mm x 406.4 mm or 279.4 mm x 584.82 mm. Specn. No. IS: 579—1962. Kgms 40,000.

(4) T. No. PV/526/RP: (a) Leather Buffalo Vegetable TD side Sole thickness 4.47 mm x 5.3 mm. Kgms 8463. (b) Butt pieces size 406.4 mm x 406.4 mm or 297.4 mm x 584.82 mm. Kgms. 35000. Specn. No. IS: 579—1962 for both items.

(5) T. No. PV/517/RP: Leather Buffalo Vegetable Tanned Butt pieces size 406.4 mm x 406.4 mm or 279.4 mm x 584.82 mm. Kgms. 1798. Specn. No. IS: 579—1962.

(6) T. No. PV/527/RP: Leather Buffalo Vegetable TD butt pieces size: 406.4 mm x 406.4 mm or 279.4 mm x 584.83 mm. Specn. No. IS: 579—1962. Kgms. 35000.

Closing date: 18.11.76 for item 1 & 2; and 25.11.76 for others. Tender forms available @ Rs. 5/- each.

NOTE: Further particulars, and specifications etc. will be supplied alongwith tender forms. Separate applications required for each item. Tender fees are non-refundable. Further particulars may also be seen in Indian Trade Journal, Calcutta.

CORRIGENDUM

ORDNANCE EQUIPMENT FACTORY, KANPUR;

T. No. PV/27/516, PV/27/517/RP, PV/25/526 and PV/27/527-RP advertised earlier vide davp advt. No. 685(144)/76 may be treated as cancelled.

davp-685(171)/76

RECORDS AND STATISTICS

Foreign collaborations

THE MINISTRY of Industry approved 134 applications for foreign collaboration during the six months from October 1, 1975 to March 31, 1976. Selective approach of foreign collaboration has been the government's policy during the past one year. It is permitted in the fields of high priority and in areas where the import of foreign technology is considered absolutely necessary. For non-essential purposes, the import of technology is considered on merits if the proposals are export-oriented.

The countries with which foreign collaboration arrangements have been approved are: Belgium, Czechoslovakia, Federal Republic of Germany, France, German Democratic Republic, Italy, Japan, Luxembourg, Romania, Sweden, Switzerland, the United Kingdom, the USA, Australia, Holland, Hungary and Yugoslavia.

List of Foreign Technical/Financial Collaboration Cases Approved by the Government of India During October-December 1975

Sl. No.	Name of the Indian company	Name of the foreign collaborator	Item of manufacture
1	2	3	4
		INDIA—BELGIUM	
1.	M/s. Modella Woollens Ltd., Bombay-400 020	M/s. Houget Duesberg Bosson, Belgium.	Woollen textile machinery.
2.	M/s. Doongursee & Sons, Bombay-400001	M/s. Diamant Boart, Belgium.	Industrial diamond tools etc.
		INDIA—CZECHOSLOVAKIA	
3.	M/s. Hindustan Machine Tools Ltd., Bangalore-560 052.	M/s. Motokov, Czechoslovakia	Hydraulics for Zetor tractors
		INDIA—FEDERAL REPUBLIC OF GERMANY	
4.	M/s. Neyveli Lignite Corporation Ltd., Tamil Nadu	M/s. Clouth of West Germany	Reconditioning of the rubber belts
*5.(F)	Shri C. C. Sheth, Bombay-69	M/s. J. S. Steadtler Nurnberg, F.R.G.	Drawing instruments
6.	Shri Ramesh Ramdas Sharma, Bombay-400002	M/s. Otto Ruettgers, F.R.G.	Surgical Detachable Scalple Blades
7.	M/s. N.G.E.F. Ltd., Bangalore-560038	M/s. AEG-Telefunken, F.R.G.	Thyristor Convertors for industrial controls and system engineering for electrical equipment for steel mills, process lines etc.
*8.(F)	Shri R. Bhandari, New Delhi (Composite case)	M/s. Rausch and Pausch BELB, West Germany.	Industrial Relays
9.	M/s. Suri and Nayar Limited, Bangalore-560048 (Composite case)	M/s. Voith Getriebe KG of West Germany	Instantaneous Reversibility transmission for locomotives
10.	M/s. The Mysore Lac and Paint Works Ltd., Mysore	M/s. AEG Isohis, F.R.G.	Insulating varnishes
11.(F)	Shri R. Sampath, Coimbatore-9	M/s. Bartholomy Paper Conversion Machineries Pvt. Ltd., F.R.G.	Carbon/Ribbon Coating Machines
12.	M/s. Indequip Engg. Limited, Ahmedabad-2	M/s. Schubert and Salzer, F.R.G.	Worsted Frames, Speed Frames, Combers and High Speed Draw Frames
13.	M/s. Central India Machinery Manufacturing Co. Ltd., Gwalior	M/s. Karl Mayer Textile Maschinenfabrik, F.R.G.	Automatic winding machines
14.	M/s. Central India Machinery Mfg. Co. Ltd., Gwalior	M/s. Lindauer Dornier Geselischaft, F.R.G.	Shuttleless looms
15.	M/s. General Electrodes & Equipment Ltd., Bombay	M/s. Griesheim GmbH F.R.G.	Welding electrodes.
		INDIA—FRANCE	
16.	Shri M. V. Gokarn, Bombay-400007	M/s. Auxim S.A. Paris IX, France	Hand operated pipeline valves & cocks
17.(F)	Shri P. G. Shukla, Bombay-400020	M/s. Cyclam, France	Rotary Mechanical Shaft Seals

1	2	3	4
18.	M/s. Bihar State Industrial Development Corporation Ltd., Patna-1	M/s. Pechinery Ugiene Kuhlmann, France.	Graphite electrodes and anodes
19.	M/s. Pearey Lal & Sons Pvt. Ltd., New Delhi-110001	M/s. Louis Zhendre, France	Air conditioning and refrigeration equipment for transport
20.	M/s. Larsen & Toubro Limited, Bombay-400035 (Composite case)	M/s. ALBERT S. A. France	Compaction equipment
21.	M/s. National Machinery Manufacturers Ltd., Bombay-400020	M/s. SACM, France	Open End Spinning Machines
22.	M/s. Apollo Tyres Limited, New Delhi.	M/s. Kie-ber Colombes (ii) Hutchinsen, MAPA, France.	Rubber conveyor beltings etc.
		INDIA--GERMAN DEMOCRATIC REPUBLIC	
23.	M/s. Indian Dairy Corporation, Baroda-390005 (Composite case)	M/s. VEB Kyffhaserhotte Artern, G.D.R.	Dairy Machinery
24.	Shri K. K. Navada, Calcutta	M/s. VEB Transformer Torenwerk, G.D.R.	Current & Potential Transformers
		INDIA -ITALY	
*25.(F)	Shri A. Hafeezur Rehman, Madras-600003 (Composite case)	M/s. Spettibile Calzutrificio Madras, Italy	Leather shoes
26.	Shri R. N. Doshi, Bombay-400019	M/s. Mole Mab, Italy	Abrasive grinding wheels
27.	M/s. Flomore Private Ltd., New Delhi-110001	M/s. Riva Calzoni, Italy	Butterfly valves
28.	M/s. Jay Engg. Works Ltd., New Delhi-110001.	M/s. Union Resurgo S.P.A., Italy,	Fuel Injection Equipment and Components.
		INDIA—JAPAN	
29.	M/s. Alfred Herbert (India) Ltd.. Calcutta-1	M/s. Mitsubishi Heavy Industries Ltd., Japan	Tyre Machinery
*30.(F)	Shri B. V. Mehta, Bombay-13	M/s. Okura Fishing Corporation, Japan	Deep Sea Fisheries
*31.(F)	Shri B. V. Mehta, Bombay-13	M/s. Amican Fish Net Mfg. Co. Ltd., Japan	Fishing Nets
*32.(F)	Shri B. V. Mehta, Bombay-13	M/s. Mikimota, Japan	Pearl Culture
*33.	M/s. Bhavnagar Potteries Ltd., (Gujarat)	M/s. Narumi Chinaware Corporation, Nagoya, Japan	Porcelain Tableware
34.	M/s. Transwel Chains (India) Ltd., Delhi-110006	M/s. Pulton Chain Co., Japan	Precision Roller Chains above 5/8" pitch
*35.	M/s. Travancore Titanium Products Ltd., Trivandrum	M/s. Ishihara Sangyo Kaisha Ltd., Japan	Synthetic Rutile
36.	M/s. Transformers & Electricals Kerala Ltd., Kerala.	M/s. Hitachi Chemical Co. Ltd., Japan	H.T. Porcelain Insulators.
		INDIA LUXEMBOURG	
37.	M/s. Hindustan Steel Ltd., New Delhi-1.	M/s. Tor-Isteg Steel Corporation, Luxembourg.	Torkari reinforcing steel
		INDIA—ROMANIA	
38.	M/s. Engineers India Ltd., New Delhi.	M/s. Romconsult, Romania.	Checking and review of process design in respect of BRPL's Kerosene Treating Unit.
		INDIA—SWEDEN	
39.	M/s. Atlas Copco (India) Ltd., Bombay-400002.	M/s. Atlas Copco NCTAB, Sweden.	Aqua Rigs and Mechanised Drilling Equipment.
		INDIA—SWITZERLAND	
40.	M/s. The Mysore Kirloskar Ltd., Harihar (Karnataka State) (Composite case)	M/s. Revue Thommen AGCH-4437 Waldenburg, Switzerland	Thread rolling machines

1	2	3	4
41.	M/s. BHEL, New Delhi-110001	M/s. Sulzer Brothers Ltd., Switzerland.	High Duty Control Valves including associated bypass and pressure reducing system for 200 MW thermal power plant
*42.	Shri B.C. Kapur, Safdarjang Enclave, New Delhi	M/s. Saphir, Switzerland	Electronic Watches
*43.	M/s. Apex-Monnin Industries, Karnataka State	M/s. Monin Freres, Switzerland	Precision machine screws (micro screws)
*44.	Shri D. A. Bhiwandiwalla, Bombay	M/s. ADI Corpn. Ltd., Switzerland	Gaur Gum products and its derivatives
		INDIA—U.K.	
45.	M/s. Dagger Forst Tools Limited, Thana, Maharashtra (Composite case).	M/s. W. Forst Engineers, U.K.	Gauges
*46.	Shri N. K. Joshi, M.Sc. M/s. Kabbur Industries (P) Ltd., Bombay-400001 (Composite case)	M/s. Advance Electronics Ltd., England (U.K.)	Metalised plastic film capacitors
47.	M/s. Steel & Allied Products Ltd., Calcutta-23.	M/s. Firth Brown Tools Ltd., U.K.	Hot Saws and Segmental Saw disc
48.	Shri Pradip Kumar Mukherjee, Totterdown St., London SW 17	M/s. Gelman Hawksley, U.K.	Haemacytometer
49.	M/s. Tensile Steel Ltd., Bombay-400018	M/s. GKN Somerset Wire Ltd., U.K.	Pre-stressed concrete stabilised strands
50.	M/s. West Bengal Industrial Development Corpn. Ltd., Calcutta-700001	(*i*) M/s. Lamp Metals Ltd., U.K. (*ii*) Fabrique De Lampes Glueh, Switzerland. (*iii*) Badalex Ltd., U.K.	Filament Wires & Coils
*51.(F)	Shri K. N. Khanna, Greater Kailash II, New Delhi-110048	M/s. International Sports Co. Ltd., U.K.	Tennis Squash & Badminton Rackets and Frames
*52.(F)	Shri B. Kohli, Greater Kailash-I, New Delhi-110048.	M/s. Prestwick Circuits Ltd., Scotland (U.K.)	Printed Circuit Board
53.	M/s. Usha Rectifier Corpn. (I) Ltd., Faridabad	M/s. Associated Electrical Industry, U.K.	High Power Silicon Diodes/SCRS
54.	M/s. Orient Polymers & Synthetics Ltd., Calcutta-16	M/s. Cray Valley Products Ltd., U.K.	Resins
55.	M/s. General Electric Co. of India Ltd., Calcutta-13	M/s. General Electric Co. Ltd., London (U.K.)	Switchgear
56.	Shri R. C. Malhotra, Equipment, Calcutta-13	M/s. Dunlop Limited, London	Hydraulic high pressure and special hoses as 100 PSI and above
*57.	M/s. El-Meister, D'Costa Mansion, Jamshedpur	M/s. Matthey Printed Products, Burslem; Stock-on-Trent, ST 6 3AT England	Silver mica capacitors
58.	M/s. Power Centre Electricals and Electronics, Madras	M/s. Auto Diesel Braby Ltd., U.K.	Silenced Diesel Generating Sets
59.	M/s. Shandilya Chemicals (P) Ltd., Bombay.	M/s. Polymer Technical & Economic Services, U.K.	Bonding agents.
		INDIA—U.S.A.	
*60.	M/s. Union Carbide India Ltd., New Delhi-110001 (Composite case)	M/s. Kurt Salmen Associates Inc., New York, U S.A.	Readymade garments
*61.	M/s. West Bengal Electronics Industry Devn. Corpn. Limited, Calcutta-700020 (Composite case)	M/s. Optel Corporation, U.S.A.	C-MOS/LSI Chips and Wafer Assembly for Electronic Watches
62.(F)	M/s. Tamil Nadu Industrial Development Corpn. Ltd., Madras-2 (Composite case)	M/s. Coyne International, U.S.A.	Gas cylinders
63.	M/s. Dorr-Oliver (I) Ltd., Bombay-400093	M/s. Dorr-Oliver Incorporated, Stamford, U.S.A.	Designing, supplying and installing chemical and other plants and equipments

1	2	3	4
64.	Shri Gautam Kanoria, Tukaram Bhisaji Kadam Path, Bombay-400 033	M/s. Wisconsin Centrifugal Inc., 905, U.S.A.	Centrifugally cast alloy steel castings
65.	Messrs. Larsen & Toubro Ltd., Ballard Estate, Bombay-400 001	M/s. Whiting Corporation, U.S.A.	Evaporator & Crystallizer Plants
66.	M/s. G. Chakravarty, Calcutta-700 075	M/s. ELI Sandman & Co., U.S.A.	Fibre Glass Impregnated Dies for Grinding Wheels
67.(F)	Shri Pradip Kumar Daga, Calcutta-700 001	M/s. Deublin Co., U.S.A.	Rotary Unions
*68.	Shri Ramesh Chetal Borla Society, Chembur, Bombay-400074	M/s. A.M. Goldstein By-Products Inc., U.S.A.	Ossein & Dicalcium Phosphate
69.	M/s. W. S. Insulators of India Ltd., Madras-600 002	M/s. Westinghouse Electric Corporation, U.S.A.	Power Factor Correction Capacitors
70.	M/s. Precision Machinery Co. (Pvt.) Ltd., New Delhi-55	M/s. Colt Industries International, U.S.A.	Weighing Equipment
71.	M/s. Batliboi & Company Pvt. Ltd., Forbes St., Bombay-400 001	M/s. Barber Colman & Co., U.S.A.	Automatic Spoolers
*72.(F)	Dr. S. G. Chandra, Bangalore-560004 (Composite case)	M/s. Seacor, U.S.A.	Plastic Film Capacitors
73.	M/s. Electrosteel Castings Ltd., Orissa	M/s. United States Pipe and Foundry Co., U.S.A.	Spun ductile iron pressure pipes
*74.	Indian Rare Earths Ltd., Maharishi Karve Road, Bombay-400 020	M/s. Bentlite Corpn. of America, U.S.A. M/s. Multi Resources International Corpn., U.S.A.	Synthetic rutile hitox and iron oxide
*75.(F)	Shri Purshottam Maheshwari, New Delhi	M/s. GSP International U S.A.	Glass to Metal Seals
76.	M/s. Feddington Chemical Industries (India) Bombay-400 038	M/s. Inchem Licensees N.V. Guernsey Channel Islands	Metal processing compounds
77.	Shri V. Ramanathan, Madurai-625002	M/s. Photochem Industries, U.S.A.	Chemically milled components
78.	Shri K. C. Sethi, Niharika, Alipore Road, Calcutta-27	M/s. Cresby Chemicals Inc., U.S.A.	Polyamide resins and dimer acid
*79.	M/s. Arora Plastics (P) Ltd., Bombay	M/s. Harbro Industries Inc., U.S.A.	Plastic educational/mechanical toys
*80.	Shri Virendra Sibal, New Delhi.	M/s. Sheller Globe Corpn., U.S.A.	DC permanent magnet & serices wound field F.H.P. motors.
		INDIA—YUGOSLAVIA	
81.(F)	M/s. Tamil Nadu Industrial Development Corporation Ltd., Madras-600 002.	M/s. Fabrika Odlivaka Belgrade, Yugoslavia.	Cylinder blocks and heads and camshafts and grey iron castings.

List of Foreign Technical/Financial Collaboration Cases Approved by the Government of India During January-March, 1976

S. No. 1	Name of the Indian company 2	Name of the foreign collaborator 3	Item of manufacture 4
		INDIA—AUSTRALIA	
*1. (F)	M/s. Raghunathan Associates, 410, Apeejay House, Samachar Marg, Bombay-400023 (EPZ case).	Mr. M. Reedeckar, 170, Nepean Highway Aspendale Victoria, Australia.	Printed Circuit Boards.
		INDIA—CZECHOSLOVAKIA	
2.	M/s. Hindustan Hydraulics, G.T. Road, Suranussi (N.R.) Jullundur (Punjab).	M/s. Smeralovy Zavody BRNO and Messrs Polytechna, Foreign Trade Corpn. Technical Co-operation Agency (Czechoslovakia)	Hydro pneumatic counter blow hammers.
		INDIA—FEDERAL REPUBLIC OF GERMANY	
3.	M/s. Elecon Engineering Co. Ltd., Vallabh Vidyanagar, Gujarat State.	M/s. Eisenwerk Weserbutte A.G, Federal Republic of Germany	Crawler Mounted Trippers.

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4.	M/s. Bongaigaon Refinery & Petrochemicals Ltd., Surya Kiran Building, 19, Kasturba Gandhi Marg, New Delhi-110001	M/s. Dynamit Nobel/Krupp-Koppers, Federal Republic of Germany	DMT
5.	M/s. Instrumentation Ltd., Kota-5 (Rajasthan)	M/s. Hartmann & Braun, 6, Frankfurt (Main) Graefstrasse-97 Federal Republic of Germany	Pollution Control Equipments
6.	M/s. Hein Lehmann (India) Ltd., 14/7, Mathura Road, Faridabad, Haryana (Composite case)	M/s. Trakus Drahtwerke U Kuns toffverarbeitun GmbH & Company, Federal Republic of Germany	Stainless Steel Wires
7.(F)	Shri T. Rajagopal Rao, 1-15-6, Over Bridge Road, Vizianagaram-531203 (A.P.) (Composite case)	M/s. K. J. Quinn GmbH, Federal Republic of Germany	Leather Finishes
8.	Shri J. Mahadaven, 163/J, Royapettah High Road, Mylapore, Madras-4	M/s. Noah Energie Systeme, G.M.B.H., D-5202, Hennef, Federal Republic of Germany	Wind Mill Generators
*9.	M/s. Choksi Brothers Pvt. Ltd., Western India House, Phirozeshah Mehta Road, Bombay-400 001.	M/s. Heinrich Hermann Stuttgart Wangen, Federal Republic of Germany.	Pressure sensitive laminated papers and articles from same.
		INDIA—FRANCE	
10.	M/s. Metal Box of India Ltd., Barlow House, 59C, Chowringhee Road, Calcutta-700020.	M/s. Societe Nouvelle De Roulments, Siege Social, 74010 Annecy France	Cylindrical and Tapered Roller Bearings
11.(F)	Shri R.K. Patel, 3, Garden Terrace, 11th Road, Santa Cruz (East) Bombay-55 AS	M/s. Prepac, 62, Rue Pasteur, 94-Villejuif, France.	Machinery and equipment for packing liquids in Satchets.
	INDIA—GERMAN DEMOCRATIC REPUBLIC		
12.	M/s. Machine Tool Corporation of India Ltd., Bawar Road, National Highway No. 8, Near Tabiji, Post Box No. 69, Ajmer	M/s. VEB Werkzeugmaschinen Kembinat, 'Fritz, Heckert' Karl Marx Stad, German Democratic Republic	Surface Grinding Machines.
13.	M/s. FER Electricals 'Neelkanth' 98, Netaji Subhash Road, Bombay400 002.	M/s. Kombinat VEB Fahrzeugelektrik, Ruhla, Kathe-Kollwitz-Str. 18 IDR-5906 Ruhla, German Democratic Republic.	Wiper Motors.
		INDIA—HOLLAND	
14.	M/s. Amar Dye-Chem Ltd., Rang Udyan, Sitladevi Temple Road, Mahim, Bombay-400 016.	M/s. Akzo Chemie b.v. Post Box No. 247, Stationsstraat 48, Amersfoort, Holland.	PVC Stabilizers.
		INDIA—HUNGARY	
*15.	M/s. Kerala State Electronics Development Corpr. Ltd., Keltron House, Vellayambalam, Trivandrum-695001 (Composite case).	M/s. Metrimpex on behalf of M/s. Hiradastechnika, Hungary.	CCTV Cameras etc.
		INDIA—ITALY	
16.	M/s. Indian Drugs & Pharmaceuticals Ltd., N-12, South Extension, Part I, Ring Road, New Delhi-110049.	M/s. Farmafin S.P.A. 20121 Milano, Via Appiani-12, Italy.	Doxycycline product.
		INDIA—JAPAN	
17.	M/s. Modi Industries Ltd., Modinagar, U.P.	M/s. Daido Steel Co. Ltd., Tokyo, Japan	Special Steel Rods and Wires.
18.	Shri Jitendra Singh, 127/10/1, Manicktolla Main Road, Calcutta-700054 (Composite case)	M/s. Tezuka Kosan Co. Ltd., Tokyo, Japan	Hydraulic Presses
19.	M/s. Gandhi Parekh Investment Corporation Pvt. Ltd., 8, New Marine Lines, Maker Bhavan No. 2, Bombay-400020.	M/s. Nitto Kasei Co. Ltd., 369, Nishiwajicho, 2-chome Higashiyojudowaku, Osaka Japan.	Organotin Stabilizers.

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		INDIA—SWEDEN	
20.	M/s. Indian Drugs & Pharmaceuticals Ltd. N-12, South Extension Part-I, New Delhi.	M/s. Aktiebolaget Bofors, Sweden.	Nicotinamide etc.
		INDIA—SWITZERLAND	
21.	Shri S. K. Ghosh, 12-A, Haramohan Ghosh Lane, Calcutta-10	M/s. Perles Electric Tools & Motors Ltd., CH 2542 Pieterlen, Near Biel, Switzerland	Portable Electric Hand Tools
22.	M/s. Lakshmi Machine Works, Limited, Perianaickenpalayam, S. R. K. Vidyalaya P. O. Coimbatore-641 020 (Composite case)	M/s. Schweiter Engg. Works Limited Switzerland.	Circular Automatic Cone Winders
23.	M/s. Modi Spinning & Weaving Mills Co. Ltd., Modinagar (U.P.)	M/s. Hepatex AG, Wattwil, Switzerland.	Cotton Textile Processing
24.	M/s. Shah Engg. Works, Mutual Annexe, 17, Gunbow Street, Fort, Bombay-400001	M/s. Staubli AG, Hergen, Switzerland.	High Speed Cam Dobbies
		INDIA—U.K.	
*25.	M/s. Fuel Furnace Manufacturers, 1, Baroda Co-operative Industrial Estate Ltd., Channi Road, Baroda-390 002	M/s. Morganite Thermal Designs Ltd., U.K.	Furnaces
26.	M/s. ACC-Vickers-Babcock Ltd., Express Towers, Nariman Point, Bombay-1 (BR)	M/s. Babcock Wilcox Ltd., & Cleveland House, St. James's Square, London W. 1	Steamraising Plants, ancillaries equipments and pressure vessels
*27.	M/s. Jiyajeerao Cotton Mills Ltd., Birlanagar, Gwalior (M.P.)	M/s. Deryck Healey International Ltd., Harrow Road, London W.10 England.	Setting up textile design centres
28.	M/s. Arcoy Industries, 437, New Cloth Market, Ahmedabad-2.	M/s. Acalor (1948 Ltd., Kelvinway Crawleya, Sassex, England).	New items of acid/Alkali/resisting cements and compounds
29.	M/s. Greaves Foseco Ltd., Jolly Bhavan No. 2, New Marine Lines, Bombay-400 020.	M/s. Foseco International Ltd., 285, Long Acre Mechellsm, Birmingham, Fnglad B7 JR.	Foundry fluxes and chemicals core-binders and profax
30.	M/s. Swastik Rubber Products Ltd., "Swastik House", Kirkee, Poona-411 003.	M/s. B. T. R. Hose Ltd., Silver Town House, Vincent Square, London, SW 1 P-2 Pl. England.	Wire Braided hoses and spirally reinforced hoses
31.	M/s. Reyrolle Burn Ltd., 99, Dr. Abani Dutt Road, Howrah-711 101.	M/s. A Reyrolle & Company Ltd., Hebburn, Tyne & Wear, NE31 1UP, England.	3.3 KV flameproof type switchgear
32.	M/s. J. K. Synthetics Ltd., Kamla Tower, Kanpur (U.P.)	M/s. Platt Sacolowell Ltd., Holcombe Road, Hemshore, Rossendale, BB4. 4NG, England.	Draw Twisting Machines
33.	M/s. Bharat Heavy Electricals Ltd., 18-20, Kasturba Gandhi Marg, New Delhi-110 001.	M/s. English Electric Co. Ltd., 1, Stanhope Gate, London.	Y-160 Marine Turbines
34.	M/s. Patel Brothers, Elphinston Building, 6, Veer Nariman Road, Fort, Bombay-400 001.	M/s. Kerodex Ltd., Innexa House, 436, Essex Road, London N.1.	Kerodex and Kerocleanse (barrier creams and cleansers)
35.	M/s. Bharat Steel Tubes Ltd., Allahabad Bank Building, 17, Parliament Street, New Delhi-110001	M/s. P. A. Perkins & Co., U.K.	Tube Mills
36.	M/s. India Pistons Ltd., Huzur Gardens, Sembiam, Madras-600011	M/s. Associated Engineering International Ltd., 60, Kenilworth Road, Leamington Spa Warwickshire, England	Pistons and related items
37.	M/s. Nathani Automotive Products (P) Ltd., Adjoining Vidya-Vihar Railway Station (West), Bombay-400086.	M/s. Concentric Pump Ltd., U.K.	Automobile Oil Pump Assemblies and Parts.
		INDIA—U.S.A.	
38.	Shri Sumant J. Patel, 6-C, Windcliffee, 50-D, Pedda Road, Bombay-26	M/s. Steward Rolling Co. a subsidiary of M/s. Intercole Automation Inc. U.S.A.	Rubber Processing Machines

1	2	3	4
39.	M/s. S.B. Properties & Enterprises Ltd., B-2, Shiv Marg, Bani Park, Jaipur-302006.	M/s. Ramada International Inc. Phoenix, Arizona, U.S.A.	Setting up of a hotel at Jaipur
40.	M/s. Madras Industrial Linings Ltd., 42/8, Gilcharist Avenue, Harrington Road, Madras-500031.	M/s. Ceilcote Co., 140 Sheldon Road, BEREA, Ohio-44017 U.S.A.	Air Pollution Control Equipment
41.	M/s. Indo-Burma Petroleum Co. Ltd., Hindustan Times House, 18/20, Kasturba Gandhi Marg, New Delhi-110001.	M/s. IRECO Chemicals U.S.A.	Industrial explosives
42.	Shri R. Sundararaman, Post Box No. 2763, 175/1, Mount Road, Madras-600002.	M/s. Westinghouse Electric Corporation, Pittsburgh, Pennsylvania U.S.A.	Current and potential transformers
43.	M/s. Ishwar Industries Ltd., P.O. Ishwar Nagar, New Delhi.	M/s. U.S. Steel Corporation through its wholly owned subsidiary M/s. U.S.S. Engineers and Consultants, 6600, Grand Street, Pitsburg, Pennsylvania (USA).	Alumina Cement
*44.	M/s. Solid State Devices India Ltd., Road No. 1, Banjara Hills, Hyderabad, (A.P.)	M/s. Cassie Engineering, Silver Beach Road, Lake Park, P.O. Box 3326, Pilm Beach Florida 33402, U.S.A.	Semi-conductor devices
*45.	M/s. Punjab State Industrial Development Corpn. Limited, SCO 54-56 Sector 17-A, Chandigarh (Composite case)	M/s. A.V.X. Corporation, U.S.A.	Ceramic capacitors
*46.	M/s. Kerala State Electronics Development Corporation Ltd., 'Keltron House' Vellayambalam, Trivandrum-695001. (Composite case).	M/s. Intermagnetics Corporation, U.S.A.	Magnetic Tapes
47.	M/s. Protecto Engineering Private Limited, Beaumon Chambers, 27/33 Medows Street, Bombay-400023. (Composite case)	M/s. Bishop Graphics, U.S.A.	Black, Red & Blue Tape and Diecut Products
48.	M/s. Systems Manufacturing Pvt. Ltd., N-32, Greater Kailash I, New Delhi-110048.	M/s. Stephene Adamson, Inc. Ridgway Avenue, Aurora Illinois 60507, U.S.A.	Conveyor and Elevator Chains
49.	Shri Krishna D. Rege, C/o Miss Pushpa Rege, 68, Western Court, Janpath, New Delhi-1.	M/s. Optical Science Group Inc. 24, Tiburon Street, San Rafael, California 94901, U.S.A.	Fresnel lenses and overhead projectors
50.	M/s. Unnati Corporation, Girdhar Chambers, Opp. Model Cinema, Gandhi Road, Ahmedabad-1.	M/s. ELI Sandman Co. P.B. 280, Greenwood St. Worcester, Massachusetts, 01613, U.S.A.	Fibre Glass Impregnated Discs for Grinding Wheel Centre Discs
51.	M/s. Sahyadri Udyog, D-2/65 MIDC Pimpri Industrial Area, Chinchwad, Poona-411019.	M/s. Sun Beam Equipment Corporation, Meadvile Pennsylvannea 16335, U.S.A.	Industrial Furnaces (Heat—Treatment).
52. (F)	M/s. Century Rayon, (Electronics Project) Industry House, 159, Churchgate Reclamation, Bombay-400020 (EPZ case)	M/s. Chronar Incorporated, 743 Alexander Road, Princeton N.J. 08540, U.S.A.	Electronic Watches and C/MOS-LSI Arrays
53.	M/s. Electrical Manufacturing Company Ltd., Dum Dum, Calcutta-70001.	M/s. Reynolds Metals Company of U.S.A.	Integrally finned aluminium tubing.

(F) Indicates cases involving financial participation also. *Indicates cases with export orientation

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Staple Fibre Division, Birlagram, Nagda.

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ECONOMIST

Vol. 67 October 29, 1976 No. 18

Hurrah for Hua

Joint Action in Jute

Halting Growth in West Bengal

BHEL Wipes Off All Losses

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VOL. 67 NO. 18 OCT. 29, 1976

Price Rupees Two

Leading Articles

Hurrah for Hua 841
Busy Season Credit Needs 842
Joint Action in Jute 843
State Farms Towards Take-off Stage? 845
Capital's Corridors 847

Point of View

Rupee Trade —Dr. R.D. Gupta 849
Halting Growth in West Bengal —Dr Amar Nath Dutta 854

Window on the World

Electing a President —Business Review of Bank of Montreal 856
Indo-Arab Dialogue on Trade and Collaboration —K.M Pathusha 859

Interview

BHEL Wipes Off Losses 861

Trade Winds

Indo-Polish Trade; Rupee-Rouble Parity; Maintenance and Utilisation of Equipment; Development of Ancillaries; Public Sector Selection Board; London Impo-Expo; Handicrafts Exports; Recruitment of Indians Abroad; Recovery of DA Dropped; Indian Consultancy Services Abroad; New Two-Rupee Note; Revaluation of Mark; Foreign Exchange for New Projects; Cooperative Cold Storages; LIC Business; Names in the News 863-865

Company Affairs

Glaxo; Zuari Agro; Scindia Steam; Union Bank of India; Jaipur Metals and Electricals; News and Notes; New Issues; Capital and Bonus Issues; Dividends 866-868

Records and Statistics

Wholesale Prices; Money Supply with the Public; Reserve Bank of India; Scheduled Banks; Consumer Price Index Numbers for Industrial Workers and for Urban Non-Manual Employees 869-872

Hurrah for Hua

THE STRUGGLE for occupying the communist party chairman's seat in Peking after Mao's death on September 9 seems to be over. The late chairman Mao Tse-tung's mantle has fallen on Mr Hua Kuo-feng who, it is reported, was chosen to succeed him. The dramatic events leading to Mr Hua's success in outmanoeuvring the radicals including Mao's widow Chiang Ching are hard to put together in view of the fragmentary flow of information from China. What is however obvious is that the four radical leaders—Mr Chang-Chiao (deputy premier), Mr Yao Wenyuam (theoretician), Mr Wang Hung-Wen (party vice-chairman) and Mrs Chiang Ching (Mao's widow) opposed Mr Hua's leadership but failed to mobilise the support of the army and a majority of the members of the politburo. In a swift move early this month, Mr Hua is said to have arrested them and at the same time whipped up a country-wide campaign against them through the press, the posters and the radio. The demand is being made currently through various media to execute the four leaders. Peking radio said in a recent broadcast: "If the four were not removed, we will have no peace. With the four persons gone, all people are happy".

And now, the list of sins committed by the defeated four radicals is becoming longer every day. First, they are said to have attempted a coup against Mr Hua in order to seize power. Second, they are alleged to have not only distorted Mao's directives for their own political ends but they are also stated to have tried to forge Mao's will. Third, they are accused of undermining the cultural revolution initiated by Mao and also of criticising the campaigns against Lin Piao and Confucius. In short, they betrayed Mao and all that he stood for. Fourth, the four "ring leaders" were dubbed as revisionists who practised splitism. As the hysteria against them intensifies further, many more charges are likely to be added to the above list.

The tussle for Mao's successor it seems had started while the Chinese leader was on the death-bed. During this period, Madam Chiang's supremacy was undoubted. However, after the passing away of Mao, the politburo got divided into two groups – one under Mr Hua and the other under Madam Chiang. The moment Madam Chiang threatened to start a nationwide campaign against Mr Hua and his followers if she was not accepted as the new chairman—and this happened some time in the first week of the current month—Mr Hua acted boldly and got the four leaders arrested. He was emboldened to take this drastic step because in the meantime he had won over the support of the army including the People's Liberation Army unit in Peking.

Having won the first round, Mr Hua will now be busy consolidating the gains by rewarding those who came to his succour in the most critical moments. The army will no doubt receive bouquets and so will the moderates who are interested in economic progress in the country through efficiency and pragmatic policies. May be, China's trade with the rest of the world would be opened up in order to receive more and more technical and financial assistance from the western world.

Will Mr Hua continue the belligerent posture towards its northern neighbour i.e. the USSR? For the next few months there is hardly any chance of a change in policy in this regard as it is likely to expose Mr Hua to severe criticism by the groups which have been fed for more than a decade on the anti-USSR poison. In the long run, however, there is a possibility of the new chairman drawing up a balance sheet of losses and gains emerging from an anti-USSR policy and deciding in favour of normalisation of political, and later economic, relations with the USSR. This also applies to Sino-Indian political and economic relations. Already, the recent moves to upgrade the respective embassies in Peking and New Delhi by sending ambassadors there has created a new hope of cordial relations between the two countries. In fact, it will not be wrong to presume that, within a few years, China will not only improve its political and economic relationship with the USSR and India but, may be, with the western democracies as well in a bid to acquire the latest scientific and technological expertise which it has denied itself so far under its dogmatic policies.

But in the next few months for every step which Mr Hua and his associates may take, an effort will be made to justify it with reference to Mao's thoughts. Mao is dead but the decision to embalm his remains and keep them in a crystal sarcophagus signifies that Moa will remain the messiah of Chinese communism for many years to come and any measures signifying even slight deviation from extreme radicalism will be taken in slow and imperceptible steps.

Busy season credit needs

AT THE threshold of the 1976-77 busy season, the lending institutions are worried about their ability to meet fully the needs of industry and trade and the borrowers in the priority sector in the coming months in spite of surging deposits. The slack season that has just ended has not been eventful in the sense that non-food credit did not rise awkwardly until the end of September and only in the fortnight ended October 8, there was an unusual rise due to interest charges, purchases of raw jute and probably a bunching of imports of edible oils, raw cotton and other items. There has also been a big rise in food credit during the week-ended October 8 by Rs 83.17 crores, perhaps indicating the possibility of a sustained rise under this head until July next year.

small rise in borrowings

The usual sizable contraction in food credit during the lean months did not take place and even with the suspension of imports the net rise in food credit between April 30 and October 8, 1976 has been as much as Rs 576 crores against only Rs 173 crores in the whole of the last slack season even with heavy imports. But for the big increase in deposits by Rs 1,678 crores during this period (as compared to Rs 1142 crores in the 1975 slack season) and relatively small rise in non-food credit, it would have been necessary to borrow heavily from the Reserve Bank especially as investments in government securities and treasury bills and approved securities amounted to as much as Rs 570 crores. Borrowings have recorded a small rise of Rs 77 crores against a small drop of Rs 38 crores though the level of borrowing was much higher at Rs 911.85 crores on October 8 against Rs 207.52 crores at the end of October 1975.

The Reserve Bank has suspended the earlier practice of separately assessing the credit requirements for slack and busy seasons as there is now an annual assessment along with quarterly budgeting for credit planning. This exercise will be certainly helpful in bringing about proper utilisation of available sources besides close monitoring of the employment of credit for the intended purposes.

pronounced growth

These procedures however do not obviate changes in credit trends during the slack and busy seasons. Only the variations are not so marked as in previous years though it will be justifiable to draw definite conclusions only in the light of new developments in the coming years. However, in so far as procurement operations also have to be intensified between November and June in the agricultural season and the marketing of cash crops has also to be effected in the same period, the growth in advances will be more pronounced in November-April than in April-November. There will also be the seasonal building up of stocks of sugar with crushing operations reaching their peak in March-April every year.

It is against this background that bankers are feeling apprehensive about the emergence of a squeeze in money market in January-March next year in the absence of liberalisation of refinance facilities for procurement purposes or liberal discretionery accommodation under the Bill Market Scheme and against usance bills. What exactly are the prospects for 1976-77 busy season? Having regard to the reports about harvesting bumper kharif food crops, fairly satisfactory groundnut, cotton and jute crops and expectations of an output of five million tonnes of sugar being achieved in the current crushing season, the busy season should be brisk right from the beginning and probably the busiest in recent years, especially as there are likely to be sizable imports of edible oils and raw cotton and a pronounced increase in industrial production.

food credit

In the last busy season aggregate advances rose by Rs 1802 crores including Rs 44 crores being the fresh assistance derived under the Bill Market Scheme. Food credit rose by Rs 870 crores and non-food credit by Rs 932 crores against additions to deposits of Rs 1218 crores. As investments too rose by Rs 394 crores, borrowings from Reserve Bank were higher by Rs 627 crores. What can be the projections for the next six months based on these trends?

With a continuing rise in foreign balances and a vigorous mobilisation of deposits by the scheduled commercial banks it can certainly be expected that over Rs 1600 crores will be available to the lending institutions in November-April 1976. As against this impressive increase in resources, food credit may rise by Rs 700 crores in spite of the suspension of imports and the freeing of restrictions on the movement of cereals within larger zones. A smaller rise in food credit will, however impose the heaviest strain on the banking system as until April this year it was possible to secure full refinance in respect of increases in food credit above Rs 600 crores.

With the changes in the method of refinance on two occasions in the current year, banks will have to find Rs 350 crores out of their own resources for extending food credit apart from reducing their loans from the Reserve Bank by over Rs 200 crores in order to comply with the new formula for refinance. Non-food credit may expand by even Rs 1200 crores as the public sector undertakings may be borrowing on a larger scale. There will also be an increase in sugar production by 500,000 tonnes as compared to that part of the crushing season up to April last year. The additions to jute stocks may be sizable while higher cotton prices and a larger crop may require bigger credit. The statutory obligations in respect of fresh additions to deposits will result in the immobilisation of nearly Rs 600 crores in the form of investments in securities and higher cash balances.

The lendable resources of banks may therefore be around Rs 1000 crores during the busy season while the requirements will be of the order of Rs 1750 crores. The gap will thus be Rs 750 crores even after taking advantage of the refinance facilities against food credit for Rs 350 crores. Some allowance has of course been made for the increase in deposits in the remaining periods of October, though there will also be a corresponding increase in investments and bank credit. The question now is: will the Reserve Bank allow borrowings by member banks to rise to a new peak level of Rs 2000 crores by the end of April in the absence of any definite policy for export of foodgrains or for freeing restrictions on the movement of foodgrains within zones and between zones? Even a smaller expansion in food credit of Rs 700 crores will take the total of aggregate food credit to around Rs 3000 crores representing buffer stocks of even 25 million tonnes. Can the Food Corporation and other state agencies successfully make arrangements for maintaining such huge stocks?

non-inflationary

The expansion of non-food credit of Rs 1200 crores will not be inflationary in any sense as buffer stocks of raw jute alone may account for Rs 75 crores, additional sugar stocks for Rs 100 crores and replenishment of cotton stocks for over Rs 150 crores. If exports of steel and engineering goods and a reduction in the imports of fertilisers, non-ferrous metals and other items can offset the heightening effects of additional imports of edible oils, raw cotton and other items which may be secured in larger volume for overcoming shortages, there may be a faster contraction of non-food credit in the 1976 slack season, especially if exports of sugar are maintained at high levels and there is brisker absorption of a higher level of production with vigorous plan implementation and larger purchases by the rural population. Extremely interesting developments are bound to be witnessed in 1976-77 and the Reserve Bank will have to administer carefully its credit policy in the light of the changing situation.

It may seem paradoxical if it is stated that the central government will be making a spectacular success of its borrowing programme for 1976-77 even with extremely stringent conditions in the money market. This is because banks will have to invest freshly over Rs 450 crores in November-March in order to comply with statutory obligations. Even allowing for anticipatory investments of over Rs 100 crores when the new loans are floated during the second tranche of the borrowing programme, there will be investible resources of Rs 350 crores. The state electricity boards and others may probably raise Rs 100 crores through their bonds leaving Rs 250 crores of bank funds for investment in government securities. The centre can thus raise an aggregate net amount of Rs 800 crores against a target of Rs 535 crores. The RBI can eliminate exaggerated fears of unparalleled borrowing by the member banks if it can reduce the cash reserve ratio by one per cent temporarily. The growth of bank credit in a period of rising production and rising stock of agricultural commodities and seasonal increases in inventories of agro-based industries need not cause any concern. They are indeed a happy sign.

Joint action in jute

THE THREE-DAY international jute consultative conference, held in Dacca in early October, recommended a six-point formula to re-establish jute in the world market. Although some of its proposals are not easy to implement in the near future, the conference provided a useful forum for an exchange of views among producers of jute and jute goods. Participants in the discussion included representatives from India, Bangladesh, Nepal, Thailand, UNCTAD, GATT, FAO, ESCAP, UNDP and the World Bank. The Jute Commissioner and another official of the union ministry of Commerce attended the conference on behalf of India. But why was not India's jute industry represented? The chairman of the Indian Jute Mills Association (IJMA) and the chairman of the Jute Manufacturers' Development Council should also have taken an active part in the conference. Unless India's jute industry is closely associated with discussions of this kind, how will it be possible to carry out effectively the programme, drawn up in Dacca, which involves a great deal of coordinated action on the part of the countries concerned?

The programme envisages measures to stabilise prices and export earnings in real terms, improvement in the competitive position of jute and jute products by reducing the costs of production, development of new uses of jute through research, reduction of shipping costs, liberalisation of trade in jute products, and limitation of research on synthetic substitutes. It was decided to undertake necessary measures to set up an internationally-operated buffer stock of jute and jute goods. These proposals cannot be implemented successfully unless India and Bangladesh take the initiative and work unitedly to face the challenge from synthetics. But there is no evidence yet of any serious efforts being made by them to evolve and execute a common approach. On the other hand, they continue to compete fiercely with each other, which is not in the best interests of either of them.

The speech of Major General Ziaur Rahman, Deputy Chief Martial Law Administrator of Bangladesh, at the conference did not reveal any desire on the part of his government for cooperation with India in evolving a common approach to the problems of the jute industry. He wanted a ban on "any research" on synthetics, aimed at the substitution of jute and allied fibres, and he called for vigorous action by the international community to combat the threat posed by the massive displacement of jute by synthetics. He suggested that the developed countries and the international financial institutions should provide funds on liberal terms to enable the producing and exporting countries to pursue their programme of diversification of the uses of jute. But the developed countries are unlikely to oblige the jute producers by stopping or going slow on research on synthetics in which huge sums of money have been invested. The jute producing countries therefore should adopt other measures in order to counter the threat from synthetics. Dacca should be realistic enough to appreciate this reality and agree to work sincerely with India in adopting a joint programme to safeguard the interests of the jute industry which is vitally important to the economies of both countries.

specialised products

But the government of India and the jute industry seem to be reconciled to the growth of competition from Bangladesh. For instance, consider what Mr J.P. Goenka, chairman of the Jute Manufacturers' Development Council, said recently at the inaugural function of the council: "Competition from Bangladesh is one of the factors, which the jute industry has to live with. In due course, supply of traditional jute products to the world will be taken over by Bangladesh, and India will have to resort more and more to the supply of specialised jute products. Our entire future developmental projects should be geared to put the industry in a position to manufacture and export such specialised products which, no doubt, will have higher unit value. Chemical processing of jute cloth to make it suitable for end uses where jute had no place before, should be one such area of activity. To enable the industry to meet the problems of marketing these new products the benefit of cash assistance should be extended to all such specialities."

The IJMA recently observed that the main cause for the decline in exports was the competition from Bangladesh, apart from synthetics. It said that Dacca always underquoted Indian market rates and thus got an edge over us. As a result, India has been reduced to the status of "a residual seller". The association suggested therefore that the State Trading Corporation (STC) should enter the field of jute goods exports to compete effectively with Bangladesh and that the corporation would have to play a major role in securing export business from Australia, Middle East, Africa and other countries. The STC, of course, can supplement the efforts of the jute industry. But does the IJMA seriously expect the STC to be able to meet successfully the competition from Bangladesh? Does the STC have the experience and the expertise for this purpose? So long as the Indian jute mills continue to be severely handicapped due to the high costs of production, neither the STC nor the industry itself will be able to do much to retain the existing markets, not to speak of regaining the lost ones.

The present position of the jute industry has been summed up as follows by the union Commerce ministry in a note prepared for the meeting of the board of trade held in New Delhi on October 16, 1976: "As a result of excess supply position, industry is confronted with depression in the price level of all categories of goods. In hessian, prices are admittedly below the remunerative level and the government had to introduce minimum floor price to prevent further fall in the price level. In carpet backing, most of the contracts are being registered at the existing floor price. Here again, our traders are finding it difficult to compete with Bangladesh. A section of the industry has been pleading for abolition of the floor price of carpet backing. In sacking, the situation is almost desperate. The sacking prices are practically all time low. Recent purchases of DGS&D fetched only Rs 280-285 per 100 bags. According to an assessment, there is a cash loss of Rs 600 per tonne in sacking production. In the miscellaneous category, cotton bagging used to occupy an important place. However, the market for cotton bagging seems to have been lost to synthetic substitutes in the United States."

The Commerce ministry's note added that due to the unremunerative prices prevailing in all categories of jute goods and over-accumulation of stocks, the industry had lost viability to a large extent. It said that 'while a handful of mills have been still able to keep their heads above water, quite a few have stopped working and the remaining ones are in an uncertain position". In this situation, will India be able to play an effective role in implementing the programme drawn up at the Dacca conference?

In his recent address to the annual meeting of the World Bank, held in

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Eastern Economist 30 Years Ago

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The decision of the Government of India to de-control jute export prices is no surprise. The affairs of the jute industry have, for some time past, been over-shadowed by a sense of uncertainty, and business in raw jute has been more or less at a standstill. The confusion began as early as May last. With the coming into power of the Suhrawardy ministry a change in control measures was expected. But it was also taken for granted that some sort of control will continue in Bengal. In the earlier stages of discussion between the provincial and the central governments and members of the trade, the general trend, it is understood, was that it was not desirable that prices of raw jute should be permitted to rise, as it was thought likely that it would put the Grow-More-Food campaign in jeopardy. And as far back as July, the trade felt confident that a standstill would not be permitted for long. A series of conferences at this stage, proved infructuous. In September, Congress assumed office at the Centre. Premier Suhrawardy declared independence. When the D.I. Rules expired at the close of September, and the question whether there should be any control over internal prices and distribution passed to the hands of the Provincial Government, the Bengal Government decided to let the laws of supply and demand take their natural course. A conference in the beginning of September failed to bear any fruit and even a last-minute effort by a representative of the central government failed to save the situation.

Manila, Mr Robert McNamara referred to jute as one of the "weak" commodities which faced "a very uncertain future". Two other commodities which he mentioned in this category were tea and sisal. He estimated that about 15 million families or 90 million people were totally dependant on these three crops for their livelihood. The World Bank President suggested that the countries producing them should restructure their industrial pattern with a view to reducing excessive dependence on these commodities. So far as India's jute industry is concerned, its weakness has not occurred suddenly but over a long period of years. Both the government and the industry now should fully cooperate with each other in improving its viability. Meanwhile, the World Bank and the other organisations which participated in the conference in Dacca should try their best to brighten the prospects for jute.

State farms towards take-off stage ?

THE STATE Farms Corporation of India, which currently is managing 12 central farms in 11 states, can take legitimate pride in its operations for 1975-76. This year has been a year of all-round significant progress for the corporation. The overall production on the farms went up by 68 per cent from 264,000 quintals in 1974-75 to 443,000 quintals in the year under reference. The quantity of seeds produced went up by 110 per cent—from 136,267 quintals to 256,740 quintals. Substantial increases were registered both in the cropped area and yields per acre. The total cropped area increased from 62,997 acres to 72,468 acres. The sharpest increase of the order of 83 per cent in the cropped area was registered in the case of wheat—from 9,661 acres to 17,717 acres. The area under grams went up by 15 per cent—from 10,810 acres to 12,425, acres under maize by 34 per cent—from 772 acres to 1,034 acres, under paddy by two per cent—from 5,265 acres to 5,359 acres, under potatoes by 25 per cent—from 87 acres to 109 acres, and under cotton by four per cent—from 4,260 acres to 4,430 acres.

significant yields

The increases in yields per acre were even more significant: 112 per cent in paddy—from 5.78 quintals to 12.29 quintals, 43 per cent in grams—from 3.09 quintals to 4.42 quintals, 8 per cent in wheat—from 8.7 quintals to 9.43 quintals, 175 per cent in potatoes—from 22.75 quintals to 62.68 quintals, 43 per cent in cotton—from 2.84 quintals to 4.05 quintals, and 60 per cent in maize from 3.54 quintals to 5.65 quintals.

The 1975-76 unit-area yields were the highest since the inception of the corporation, although in the case of some crops, particularly paddy, potatoes and grams, they were not as impressive as the above comparison suggests. The previous highest per acre yield registered in paddy was 10.88 quintals in 1972-73. The yield of grams in that year also was 3.86 quintals per acre, the second best till last year. The previous highest yield of potatoes—48.12 quintals per acre—was recorded in 1970-71.

total turnover

The total turnover of the corporation in 1975-76 is estimated to have been of the order of Rs 510 lakhs, as against Rs 350 lakhs in the previous year and Rs 347 lakhs in 1973-74. In correctly appreciating the increase in turnover, allowance, however, has to be made for the variations in the prices of various products, for the 1975-76 turnover has been despite significant reductions effected in the prices of seeds. Had these reductions not taken place, the turnover in 1975-76 would have been approximately Rs 141 lakhs higher.

The increased turnover had the wholesome effect of turning the corporation into a profitable venture. The net profit for 1975-76 at 1974-75 prices is expected to be of the order of two crores of rupees, as against a net loss of Rs 17.77 lakhs in the previous year. The final profit for the year is yet to be computed. The corporation, as a whole, went into the red in 1974-75, as a result of its revenue expenditure going up sharply by Rs 172.61 lakhs—from Rs 294.79 lakhs in 1973-74 to Rs 467.40 lakhs—following substantial increases in the salaries and allowances of employees owing to the implementation of the Third Pay Commission's recommendations, enhancement in labour wage rates at some farms, the sharp increases in the prices of fertilisers and petroleum products as well as in the cost of spares and stores.

The interest charges too went up very markedly, as the corporation had to go in for large-scale borrowings from banks to meet the increased costs. Correspondingly, the value of corporation's production registered an increase of only Rs 55.43 lakhs in that year—from Rs 452.27 lakhs in 1974-75 to Rs 507.70 lakhs—thanks to setback to the prices of various products, particularly cotton, and the lower kharif output owing to drought in some of the major northern farms. The production costs in 1975-76 are stated to have gone up slightly, but the increase in turnover has more than compensated for that.

ambitious target

The impressive gains registered by the corporation in its operations in 1975-76 should augur well in the attainment of the ambitious target set for doubling the yields, trebling the turnover and quadrupling the income by the middle of 1977-78 over the base year 1973-74, which hitherto has been the best year of operations when the corporation threw up a gross profit of Rs 163.38 lakhs and a net profit of Rs 107.97 lakhs. In pursuance of this objective, production in 1976-77 is envisaged to be raised by 80 per cent—from 443,000 quintals in 1975-76 to 795,000 quintals. A number of plans have been drawn up to overcome the shortcomings in different areas of operations. They include a more rapid reclamation of culturable waste areas; development of irrigation resources and water conveyance system, particularly at the Jetsar (Rajasthan) and Hissar (Haryana) farms; improvement in the drainage system, particularly at the Bahraich (UP), Rai Bareilly (UP), Suratgarh (Rajasthan), Ladhowal (Punjab), Kokilbari (Assam) and Raichur (Karnataka) farms; construction of soil erosion control measures at Khammam (Andhra Pradesh), Chengam (Tamilnadu), Aralam (Kerala), Raichur and Mizoram (Mizo Hills) farms, and development and adoption of dry farming techniques at Khammam and Chengam farms. A good deal of work in the above fields, of course, had already been initiated in 1975-76.

The year 1975-76 also saw another very important development in the operations of the corporation. This development was the integration of the operations of this corporation with the quality seeds production programme of the National Seeds Corporation. The State Farms Corporation in now participating in a big way in the national seeds programme. Particular attention is being paid to the development of irrigation facilities at the farms. A separate land and water development section has been set up at the headquarters of the corporation. A modern data processing unit has also been installed for the regular monitoring and assessment of farms plot by plot.

As a result of the attainment of above target, it is hoped that all the units of the corporation would become viable in the near future. Last year, only four farms showed losses as compared to nine in the previous year. With a view to energising the personnel at the farms, the chairman of the corporation Dr D.P. Singh, has stressed recently that the authorities would not hesitate from closing down the farms which continue to make persistent losses because of slackness in operations and low efficiency. Security measures have been tightened to take care of the problem of pilferage from the farms.

It is encouraging to note that the corporation does not intend to take on any more farms till the present 12 farms are made a complete success and their viability is fully established. There still remains a lot to be done in extending multiple cropping to farms as well as extension of culturable area through reclamation. This should be evident from the fact that of the total area of 89,150 acres in possession in 1975-76, the culturable area amounted to only 65,155 acres. Multiple cropping was done on an area just around 7,100 acres. As some areas in different farms are yet to be taken possession of by the corporation, the developmental work that remains to be done as yet obviously is of much bigger dimension than suggested by the above figures.

Incidentally, the operations of the central state farms in the last two years suggest that the decline in the prices of farm products and the escalation of production costs have affected their profitability not inconsiderably, although last year they were able to shore up through improved management, extension in area under cultivation and raising of yields per acre. That should be the experience of the farming community in general. The plea made by several state chief ministers at their last meeting with the union minister for Agriculture and Irrigation, Mr Jagjivan Ram, for laying down the procurement policy for the current kharif crop, for a reduction in the prices of farm inputs, including tractors, deserves to be seriously taken note of if the green revolution is to be carried further.

RECORDS AND STATISTICS

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CAPITAL'S CORRIDORS

R. C. Ummat

Railways' plans • FICCI's plea on tax modifications

THE RAILWAYS are expected to add nearly 425 locomotives—230 diesel, 130 electric and the remaining shunters—2,000 coaches, 250 electrical multiple units and 22,000 wagons (in terms of 4-wheelers) during the terminal two years of the current Plan. This will increase the rolling stock of railways during the five years to 1978-79 by 890 locomotives, 4,540 coaches, 680 electrical multiple units and 54,300 wagons.

This programme has been drawn up in terms of the recently finalised fifth five-year Plan which has allocated for the development of the railways a sum of Rs 2,202 crores, including an expenditure of Rs 50.2 crores on the development of metropolitan transport systems. The original draft of the Plan contained an outlay of Rs 2,550 crores for railways' developmental programmes, which included an expenditure of Rs 200 crores on the metropolitan transport projects.

downward revision

The downward revision in the outlay, despite escalation in costs, has been primarily effected because of the fact that the development in the metropolitan transport schemes is taking much longer time than earlier envisaged owing to the complexities involved, and due to the expectation now that the railways would be required to cater in 1978-79 for originating goods traffic to the extent of only 250/260 million tonnes as against the earlier estimate of 280/300 million tonnes. There is not much reduction in the estimate of the additional passenger traffic accruing to the railways by the end of the current Plan. The present estimate is that the railways would be required to provide for an increase of 17 per cent in non-suburban traffic and 25 per cent in suburban traffic. As the suburban traffic is approximately half of the total passenger traffic, the overall increase in passenger traffic during the five years to 1978-79 may be around 21 per cent over the 1974-75 figure of 2,429 million passengers.

some cushion

With the revised outlay, the railways expect that they will not only be able to fully cater for the estimated originating traffic but might also have some cushion which has become a normal feature of their working since the difficult days of early 1960s. The attainment of this objective, however, will require a steady improvement in the operations of the railways through better utilisation of the existing capacities

That the optimism of the railways about augmenting their capacities for carrying both the goods and passenger traffic estimated to accrue by 1978-79 is not misplaced should be evident from the fact that the additional goods traffic which they will be required to cater for during the three years to 1978-79 would be just 18/28 million tonnes. Last year, the railways moved 222 million tonnes originating goods traffic, which was 12 million tonnes more than the target set for the year. This year, the Railway minister in his budget speech has expected the originating goods traffic to go up to 225 million tonnes—11 million tonnes more than the 214 million tonnes revised estimate for the last year (the figure of 222 million tonnes has been indicated subsequently). The railways are understood to be in a position to move even somewhat more goods traffic than the budget estimate. The increases effected in the passenger trains this year should, similarly, enable the railways to cater for even slightly higher passenger traffic than estimated by the Railways minister – four per cent increase over the last year's passenger traffic. This should suggest that the additional capacity which has to be created by the railways during the next two years, particularly for carrying goods traffic, is indeed not an ambitious task which cannot be fulfilled through the revised outlay.

revised allocations

The revised allocations for the various development programmes of the railways are as follows (Rs crores) : rolling stock 1056.8: workshops/sheds 77.9; machinery and plant 41.7; track renewal 209.1; bridge works 47.3; line capacity works 315.9; signalling and safety works 71.2; electrification 101.1; other electrical works 23.0; new lines 97.2; staff welfare and users' amenities 67.2; investment in road transport 48.7; metropolitan transport 50.2. Inventories are expected to be drawn down by Rs 5.3 crores.

The expenditure likely to be incurred during the three years to March 31, 1977, would be as follows (Rs crores): rolling stock 556.8; workshops/sheds 35.9; machinery and plant 23.7; track renewal 104.1; bridge works 23.3; line capacity works 169.9; signalling and safety works 39.2; electrification 59.1; other electrical works 13.0; new lines 55.2; staff welfare and users' amenities 36.2; investment in road transport 22.7; metropolitan transport 25.2. Inventories would have been drawn down during these three years by Rs 15.3 crores.

The outlay to be incurred during the terminal two years of the Plan, therefore, will be of the following order (Rs crores): rolling stock 500.0; workshop/sheds 42.0; machinery and plant 18.0; track renewal 105.0; bridge works 24.0; line capacity works 146.0; signalling and safety works 32.0; electrification 42.0, other electrical works 10.0; new lines 42.0; staff welfare and users' amenities 31.0; investment in road transport 26.0; metropolitan transport 25.0; inventories 10.0 (the inventories will have to be built up to this level, as they would have been drawn down by Rs 15.3 crores by the end of the current year, as against the total drawing down to the extent of Rs 5.3 crores during the five years of the Plan).

Of the total Rs 2,202 crores outlay, expenditure to the extent of Rs 1,149 crores would have been incurred by the end of the current year. The outlay for the next two years, therefore, works out to Rs 1,053 crores. The current Plan's outlay compared with Rs 424 crores in the first Plan period, Rs 1,044 crores in the second Plan, Rs 1,626 crores in the third Plan and Rs 1,419 crores outlay in the fourth Plan. The figures for the three annual plans between the third and fourth Plans are not available.

Whereas the originating passenger traffic during the five years to 1978-79 is expected to grow by 17 per cent from 2,429 million passengers, the increase in the originating goods traffic will be of the order of 65/75 million tonnes or 30/40 per cent. The originating goods traffic moved by the railways in the terminal year of the fourth Plan was 184.9 million tonnes.

additional track

The revised outlay on the laying of new lines is expected to enable the railways to add 650 KM track out of the 2,000 KM covered by the 25 projects in hand. Of these 25 projects, six have already been completed, which account for 350 KM. Another six are expected to be completed by the end of the current Plan period. They will add 300 KM to the track. Slightly over 50 per cent of the new line projects, thus, will be spilling over to the next Plan period. There is, however, a possibility of the railways initiating work on the development of a couple of new lines in the coal bearing areas. So far as metropolitan transport is concerned, besides the Calcutta project, which now is estimated to cost nearly Rs 240 crores, some progress is likely to be registered during the current Plan in regard to the Bombay region.

* *

In a background paper prepared by the Federation of Indian Chambers of Commerce and Industry for discussion at the all-India conference of tax executives to be held here this week-end, several reliefs have been urged in both indirect taxes and the corporate tax structure in the interest of fostering the growth of the economy through improving the investment climate in the country. The conference is expected to be inauguarted by the union minister for Finance, Mr C. Subramaniam.

The paper streses that the rate of tax on companies in India, which is perhaps the highest in the world, should be brought down to a reasonable level, say 45 per cent, to help revive the capital market and promote investment.

dividend rate

The recent decline in capital raised by companies has been partly attributed to "the uneconomic dividend rate". It has, therefore, been recommended that the need for the dividend income being provided some concessional tax treatment should be examined.

The paper has also raised the question whether retained earnings of the corporate sector, which are utilised for further investment, should not be altogether exempted from tax or should be taxed concessionally. It has been further suggested that the five per cent surcharge on company profits should be withdrawn.

The other questions raised in the paper in regard to the corporate tax structure include the extension of the 25 per cent investment allowance to all industries, with a higher percentage for priority industries, and the revival of the tax credit certificates scheme introduced by the Finance Act of 1965. Capital gains, it has been urged, should be exempted from tax when they are re-invested for productive purposes.

Dealing with the issues before the Indirect Taxation Inquiry Committee, headed by Mr L.K. Jha, Governor of Jammu and Kashmir, the paper asks whether it would not be more rational to devise a tax mix which would give preferential treatment to certain commodities but would nevertheless result in more than proportionate increase in tax revenue in relation to the increase in national income.

The commodities which encourage labour-intensive technology and industries that are set up in backward areas, it has been suggested, should qualify for preferential treatment.

rising ratio

The ratio of indirect taxation to national income, it has been pointed out, rose from eight per cent in 1960-61 to 13 per cent in 1975-76. More than 75 per cent of the tax revenue in India, it is stressed, is accounted for by indirect taxes, comprising excise duty, customs duty, sales tax and octroi.

On customs duty, the paper calls for restructuring of import tariffs in such a manner that the burden of duty on capital goods which are not indigenously available is reduced.

The paper also suggests the introduction of a system of tax credit certificates which would indicate tax paid at each stage and thus enable the authorities to assess the cumulative effect of indirect taxes and grant full rebate on these levies in the case of exports.

The paper further raises the question whether sales tax should not be completely abolished and merged in excise duties in the form of additional excise duty and whether some kind of uniformity in the sales tax structure throughout the country should not be aimed at.

On the introduction of value-added tax (VAT), one of the major terms of reference before the Jha Committee, the paper points out certain disadvantages in spite of its theoretical merits and asks whether such a tax is feasible at the present stage of development.

The collection of indirect taxes by the central government, the state governments and the local bodies, it has been pointed out, rose from Rs 1,040 crores in 1960-61 to Rs 7,267 crores in 1974-75. It is estimated to go up to Rs 8,121 crores in 1975-76.

Rupee trade

Dr R. D. Gupta

The author has examined our country's trade (carried out in non-convertible rupees) with the east European countries and has made out a case for increasing the share of rupee trade as a percentage of our total foreign trade.

BARTER TRADE with east European countries such as Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, Romania, Yugoslavia and the USSR started in the early fifties and has now (1975-76) risen to 30 per cent of our trade with the world.

Trade with these countries is commonly called rupee trade since payments for imports from these countries are made in "non-convertible rupees" which are then used by these countries for making purchases in India. The distinguishing feature of this trade is that its volume is controlled on a government to government basis through the signing of annual bilateral trade agreements which specify the commodities or goods earmarked for trade in each direction along with targeted values. The essence of the system lies in clearance in terms of commodities and not by currency. Transactions involving free convertible foreign exchange are thus eliminated and the rupee serves as the accounting unit.

essential features

The essential features of this trade are:

(a) The trade is based on trade and payments agreement signed with each centrally-planned country of eastern Europe providing for all bilateral transactions to be settled in non-convertible rupees.

(b) The long-term projects financed by these countries including those under the credit granted by some of them such as the USSR, Czechoslovakia, Yugoslavia[1] and Poland are to be paid through export of Indian goods.

(c) The exchange of goods between these countries and India is carried out by advance agreement through what is called 'the trade plan'.

(d) The 'core' of the plan is the 'self-liquidation' procedure of 'trade balances' through rupee payment.

India has bilateral trade agreements with several countries; of these the most important are the rupee trade agreements with the eight east European countries. The years from 1958 to 1972 witnessed dynamic growth in this new pattern of trade. From a mere five crore rupees in 1953 India's trade with these countries increased to about Rs 600 crores in 1971-72. With the USSR alone, the trade turnover has grown from Rs 1.3 crores in 1953 to Rs 412 crores in 1973-74. The figure is likely to go up to Rs 700 crores in 1976. The turnover is expected to touch Rs 1000 crores by 1980. A big consumer goods industry has developed in this country to meet the Soviet demand for such articles as readymade garments, woollen products,[2] knitwear, leather manufactures, floor coverings etc. It has been suggested in recent years that in order to reduce pressures on foreign reserves, India should diversify her "commodity concentrated" and "direction concentrated" trade. Mrs Indira Gandhi's recent visit (in June 1976) to the Soviet Union was of direct relevance in the strengthening of bilateral trade relations leading to further expansion and diversification of trade. In order to impart fresh dynamism to bilateral trade relations based on rupee payments, earnest efforts have been made by both sides to develop new areas of 'complementarity'. The concepts of 'production cooperation' and 'diversification of trade exchanges' have been conceived in this context and form an important component of the new 1976-80 trade agreement between the two countries.

POINT
OF
VIEW

Tables I and II show the change through years in the 'direction concentrated trade' and also the 'magnitude' o trade India has developed with eas European countries as compared to th UK and the USA.

These tables show that the trade with USSR and east European countries has increased both in value and volume as also percentage of total trade.

remarkable growth

In 1955-56, 0.9 per cent of India's exports went to eastern Europe and 1.4 per cent of India's imports came from that region as compared to 27.2 per cent exports and 25 per cent imports from the UK and 14.3 per cent exports and 13.2 per cent imports from the USA. There was remarkable growth in rupee payment trade during the third Plan period. In 1965-66, exports to east European countries went up to 19.4 per cent and imports increased to 11.1 per cent. In 1974-75, percentage of exports and imports from these countries increased further and went up to 30 per cent. The percentage of exports and imports to the UK and the USA declined in 1965-66 and further in 1974-75 as shown below:

Year		UK	USA
1965-66	Exports	18.1%	18.3%
	Imports	10.7%	38%
1974-75	Exports	9%	11.36%
	Imports	4.75%	16.6%

A developing country such as India must have a sure market for economic stability. The bilateral trade agreements ensure a *fixed market* for Indian goods, which may not otherwise stand the competion of more advanced nations. For example, our sales of leather products, specially of footwear, machine tools, refrigerators, fruit juices, thermos-flasks, surgical gloves, knitwear and electrical and engineering goods to the east European countries have enabled us to sell them in the western market also.[3] Thus, the rupee trade acted as a stepping-stone in training our exporters and improving the quality of our manufactures.

The east European countries absorb *seasonal surpluses* of our farm and plantation products, which would have otherwise depressed our production. Included in this list are tea, tobacco, de-oiled cakes etc. Not only are such arrangements conducive to better price realization, but they also contribute to some extent, to the diversification of Indian exports.

Further, the unit price that we fetch for our exports under this type of trade arrangement is levelled upwards by the *bulk buying of these centrally* planned economies with full freedom to us to *pay international prices* for goods which we buy from these countries for our basic requirements. Several Indian industries have reaped the benefits of the scale of production because of large-scale contracts for export to these countries especially in the case of leather, woollens, electrical goods, wagons, etc.

Since payments for goods imported from such countries are made in non-convertible rupees, no foreign exchange is involved in such imports. Thus, our imports from these countries *do not prove a drain* on our foreign exchange reserves. Moreover, we import only those items which are necessary for our economy and at comparable prices, the important items being essential raw materials, capital goods, fertilisers, metals, oils, etc.

Again, we are able to borrow technical knowhow and capital goods on long-term credit repayable in kind i.e., through export of goods.

No invidious conditions are attached for the promotion of trade between the partners. In fact, New Delhi has been acting very independently. This is proved by the government of India not accepting Moscow's offer of TU-134 aircraft and tractors, without examining their suitability for the country's requirements. The scale and scope of new trade are determined by the growth processes and structural advances in the economies of participating countries. The system paves the way for significant development in the trade relations of the partners within the wider framework of a mutually profit-

TABLE I

Direction of India's Foreign Trade

(In lakhs of rupees)

Item	Czechoslovakia	Federal Republic of Germany	Poland	U.S.S.R.	Yugoslavia	U.K.	U.S.A.	Other countries	All countries
1965-66									
Imports(—)	21,15	137,15	13,66	83,17	11,90	150,09	535,08	213,37	1,408,53
Exports(+)	15,83	18,16	9,12	92,99	11,30	145,71	147,75	189,26	805.64
Balance	—5,32	118,99	—4,54	+9,82	—60	—4,38	—387,33	—24,11	—602,89
1969-70									
Imports(—)	23,02	84,44	23,56	171,33	6,18	102,59	467,22	319,85	1,582,10
Exports(+)	30,08	29,89	21,34	176,37	33,99	165,07	237,97	347,97	1,413,27
Balance	+7,06	—54,55	—2,22	+5,04	+27,81	+62,48	—229,25	+28,12	—168,83
1970-71									
Imports(—)	20,20	107,47	28,03	106,13	7,65	126,76	452,95	335,71	1,634,20
Exports(+)	29,46	32,31	22,14	209,85	39.36	170,44	207,34	391,63	1,535,16
Balance	+9,26	—75,16	—5,89	+103,72	+31,70	+43,68	—245,61	+55,92	-99,04
1971-72									
Imports(—)	10,17	127,04	50,45	87,32	5,44	220,81	418,69	343,59	1,824,54
Exports(+)	30,49	37,10	19,91	208,70	24,37	168,70	263,08	434,69	1,608,22
Balance	+20,32	—89,94	—30,54	+121,38	+18,94	—52,11	—155,61	+91,10	—216,32
1972-73									
Imports(—)	15,91	172,58	36,25	114,37	7,38	237,25	234,87	447,19	1,867,44
Exports(+)	46,10	62,28	44,18	304,82	12,44	172,53	275,74	574,38	1,970,83
Balance	+30,19	—110,30	+7,93	+190,45	+5,07	—64,72	+40,87	+127,19	+103,39
1973-74									
Imports(—)	26,71	205,79	46,21	254,73	8,62	252,17	498,43	795,42	2,955,37
Exports(+)	43,79	86,79	51,68	286,01	23,86	263,15	345,92	756,09	2,523,40
Balance	+17,08	—119,00	+5,47	+31,28	+15,24	+10,98	—152,51	—39,33	—431,97
1974-75									
Imports(—)	33,31	306,87	92,89	402,49	9,69	213,40	729,09	1,291,90	4,461,35
Exports(+)	60,37	105,43	77,41	418,17	29,73	307,00	375,79	1,017,08	3,304,14
Balance	+27,07	—201,44	—15,48	+15,68	+20,03	+93,61	—353,30	—274,82	1,157,21

Source: RBI Report 1974-75, Statement 86.

able system of international division of labour.

There are certain by-products of such economic cooperation. The bilateral trade agreements prove helpful in better understanding of the trading countries, promoting political and cultural friendship.

In recent years, the rupee trade has also encountered criticism. For example, it is being said that goods which could have been exported elsewhere are being diverted to east European countries; we are paying unduly high prices for east European goods; the quality of goods imported is poor; the terms of credit offered are less favourable; some of these countries specially the USSR are carrying on unilateral devaluation of the rupee; it is adding to the forces of inflation in the country; and the east European countries are indulging in 'switch trade'. Diversion of goods to third countries is popularly called 'switch trade' and it does sometimes take place. The complaint is that through this phenomenon of 'switch trade' the Indian products find their way to the markets of the free currency areas. But it has also been established that the *extent* or the *volume* of such trade is not high. There are occasional instances of switch trade, but these are exceptions rather than the rule. During the second UNCTAD in New Delhi in early 1968, there were protests against 'switch trade' and the east European countries promised to take steps to eliminate such cases. Given care and perseverance, the few complaints of diversion can be eliminated by suitable steps and mutual cooperation.[4]

It is also said that prices quoted by east European countries are not competitive and that the prices of east European imports into India are high. However, a scrutiny of price data has showed that there was no basis for contending that India had secured lower prices for exports to these countries. There was also no evidence to show that India had been getting its imports at abnormally high prices, compared with other convertible currency sources.[5] More than 80 per cent of the purchases of heavy machinery from these countries were for public sector projects. These projects have norms for comparing the prices of what they propose to import from east European countries with prices of similar machinery from other sources. As a result of such comparison it has been established that in the production of electricity, the capital investment per unit is the cheapest in respect of such equipment as has been supplied by the Soviet Union.[6] The complaint of high prices therefore is not justified. Moreover, the situation is not worse than the increase in the cost of equipment to the extent of 20 to 40 per cent in developing economies as a result of tied-aid from western countries.

The critisicm, however, found some reinforcement on account of the developments following the devaluation of the rupee in June 1966 and the consequent import liberalisation this country had allowed. Following devaluation of the rupee, our trade with eastern Europe was almost at a standstill. But this was soon resolved by a series of negotiations with the countries concerned. The broad recognition by both the parties that the rupee used as a medium of foreign exchange in the transactions between India and the rupee-payment countries should not be treated differently from any other convertible medium of exchange, resulted in agreements to escalate the values by 47.5 per cent to 57.5 per cent.[7] This decision restored trade flows and even maintained the pre-devaluation unit prices for practically all the traditional items.

TABLE II

Direction of India's Foreign Trade

(Rs. crores)

Year	UK	USA	USSR	EEC	East European countries
1972-73					
Exports	172.53	275.74	305.00	447.64	457.00
Imports	237.25	224.58	114.00	576.42	224.00
1973-74					
Exports	263.15	343.92	286.00	608.94	464.00
Imports	252.17	498.43	255.00	703.96	391.00
1974-75					
Exports	307.00	375.79	418.00	689.45	651.00
Imports	213.40	729.00	402.00	843.00	643.00

Source: *Sunday Standard*, New Delhi, June 20, 1976.

best example

Indo-Yugoslav trade provides the best example of bilateral trade based on rupee payment. A serious limitation came to light when Yugoslavia in 1969 raised the issue of conversion of its rupee holdings. Yugoslavia had surplus in trade with India and thus accumulated Rs 28 crores in 1969. It wanted to convert these rupee balances into sterling. The government of India did not agree to repay this huge deficit in sterling because it struck at the very root of 'balanced bilateralism' which was the keystone of the entire rupee trade. Later on, Yugoslavia did not press for the conversion of its rupee balances into sterling but felt that these rupee balances could be used by any other rupee payment country.

As such, Yugoslavia was allowed to transfer her rupee balances to any other rupee payment country which wanted to increase its purchases in India. This, however, did not mean 'multilateralisation' of payments because each case of payment was to be decided on merits. Actually, limited convertibility of the rupee became a fact when two east European countries—Czechoslovakia and Bulgaria—agreed to share their rupee balances with East Germany and Hungary respectively in February 1969. As a result, the rupee balances that these two countries had in India were made available to East Germany (Rs 15 lakhs) and to Hungary

(Rs 1.5 crores) for the purchase of goods in India.

The chief merit of the bilateral payments system is the incentive that they provide (when currency balances arise for or against a party) for appropriate action to be taken to increase or expand exports as the case may be. This is what happened in the case of Indo-Yugoslav trade. However, Yugoslavia, on account of a change in the basic structure of its economy did not like this system to continue. It was on account of these reasons that India had agreed in principle to the Yugoslav demand for the termination of the rupee payment system and adoption of free convertibility from the financial year starting on April 1, 1972. Thus, Yugoslavia was the first country to walk out of the rupee trade.

divergent views

Rethinking on the role of rupee trade started in India after 1968-69 and divergent views have been expressed since then by the Planning Commission and the Finance ministry on the one hand and the Commerce ministry of the government of India on the other. The Planning Commission expressed the view that if exports were allowed to take the easy direction of the rupee trade, the repayments problem of the country would not be solved. It was urged that whereas it might be possible to use rupee trade to strike a balance between imports and exports, the net earnings of foreign exchange from which repayments had to be made would not be substantial. The Finance ministry, therefore, wanted that the main emphasis should be on *'earning'* foreign exchange and only the *'surpluses'* should be diverted to the rupee markets. It was felt that the fundamental basis regarding rupee trade was that it would not be increased at the cost of the established traditional markets and that only 'surpluses' would be exported. The Planning Commission was of the opinion that an export growth rate of seven per cent to 10 per cent for the fourth Plan or the fifth Plan periods would have meaning only if it helped in easing the mounting repayments burden.

Recently, a controversy has arisen over the unilateral devaluation of the rupee by the Soviet Union. The parity was reduced from 12 roubles for Rs 100 in 1966 to 8.66 roubles for Rs 100 in March 1975. The reasons given for this step were:

(a) that rupee had been sinking along with pound sterling in relation to all other currencies since July 1972, this had the effect of artificially boosting rupee earnings which were unmatched by real foreign earnings;

unfavourable influence

(b) that rupee's link with a weak currency like sterling exerted an unfavourable influence on our trade with east European countries. A steady devaluation of the rupee gave the USSR and east European countries an occasion to raise the demand for revaluing the credit payments;

(c) that the problem assumed vital significance in terms of free foreign exchange earnings that developing countries including India must muster to reduce indebtedness abroad and finance essential imports. With a large import bill building up on account of a rise in oil prices, fertilisers, food and agricultural raw material imports, most of which had to be imported from hard currency areas, a serious and unmanageable deterioration in India's balance of payments position was to be expected in the years to come; hence the need to give up rupee trade to divert trade to earn hard currency. These were the considerations that weighed so heavily with such countries as Bangladesh and Sudan that they probably gave up rupee trade and preferred to earn hard currency from other countries for their goods such as jute, newsprint (in case of Bangladesh) and cotton (in case of Sudan). It is for these reasons that other east European countries would like to give up rupee trade to earn hard currency. These considerations have emerged directly or indirectly, from our recent assessment of trade agreements with rupee payment countries especially with respect to the USSR.

It may be true that rupee exports do not directly ease hard currency repayments. To think in terms of directing only surplus exports to rupee markets as suggested by the Finance ministry amounted to unwarranted interference with naturally prevailing and evolving patterns. It is true that in general Indian firms prefer to export for hard currencies, but there are many products which we can sell to east European countries. Exports of railway wagons are doing better in the Soviet Union and east European countries than in hard currency areas. This is natural also because economies nearer one another in stages of economic development can open out to one another more than economies with wider disparity in their stages of development.

To many industrialists in India, rupee trade has become a very valuable channel of exports and an important source of supply of equipment for the development of Indian industries. Rupee deals provide for specialised finance, for aid and equipment for development projects, and for eventual settlement of the balance of payments in goods or in rupees. These countries provide for 12 per cent of India's import needs of capital and materials. Some of these countries have recently emerged as suppliers of valuable defence equipment and materials which could not be had from the free currency areas.

historical factors

It would be proper to view the whole situation with an open mind keeping in view the historical and evolutionary circumstances. There was a time when hardly any other country in the world was prepared to assist India in tapping her immense industrial potential and creating a base for further industrialisation by setting up steel and engineering plants in this country. Even now, fewer countries in the world apart from rupee traders, would be willing to purchase India's new manufactures or supply critically required machinery and defence equipment without simultaneously demanding free convertible foreign exchange.

Further, the capacity for the absorption of the agro-based commodities by the free currency countries is not unlimited—whereas, the production of these commodities in India is being increased as a result of our development plans. Indeed, today Indian tea and tobacco growers, not to say anything about jute manufacturers, are anxious to increase their exports to the USSR and other east European countries, because, other markets are nearing saturation point. Moreover, the export of primary and agro-based commodities to the free exchange markets is inhibited by the growing competition from substitutes, changes in consumer preferences, preferential treatment to goods from areas other than India, quota restrictions, high tariff walls and international commodity agreements. India had to fight every inch to gain small concessions in quotas and suffered embarrassment in the process many times. Attempts were made by developed countries to depress the price of primary products and subject them to violent fluctuations in the free market economy countries. The access to the USSR and east European markets proved to be a safety valve which contributed in large measure to ensure stability in the primary commodity markets in India. It is wrong to conclude that trade with rupee payment countries had done more harm than good; on the other hand, these countries had provided outlets for goods which were not wanted by free exchange countries.

qualitative difference

We have got to realise in our national interest that it is the rupee trade that has been the chief cause for the diversification of India's exports mainly because the very rupee payment countries which supplied us with equipment and know-how were increasingly buying products from new units—products which cannot find a ready market in the west. What is not to be ignored is the fact that these rupee trade countries have very often come forward with trade and aid in areas very crucial to the development of our economy. Soviet aid to India in the matter of life-saving drugs and setting up power generating equipment is *qualitatively* of a different category than the transfer of technology and trade from the west in terms of soap making, tooth paste and the wide range of cosmetic goods. The entire controversy could be set at rest if the approach towards it is 'pragmatic' and not 'rigid'. Exports, then, must be seen in two lights. First, increasing exports finance development and facilitate loans and, second, increasing exports have an 'import substitution effect' and help in 'diversification' of the economy. Both these features were prominent in the Prebisch Report at the first UNCTAD conference and both were accepted by us—why then, enter into polemics at a time meant for action? The Commerce ministry has shown a very realistic attitude in framing a programme of *qualitative exports* to all these countries. Trade agreements and trade payments arrangements have continued to play an important part in expanding and diversifying India's foreign trade in 1975-76. Hence, the thesis that diversification of India's trade is an important way to reduce pressure on her foreign reserves.

The rupee trade has emerged as something more significant than a system of mere commodity exchange. It is of vital importance to India specially in view of the acute foreign exchange difficulties till recently. It is only through rupee trade that India could have a balanced trade with the Soviet Union. The rupee trade has not outlived its utility; on the other hand, the need of the hour is to give it a new impetus, specially in the background of new perspectives; rupee having been delinked from the ailing pound-sterling, it has gained in value having become stronger due to a grip on internal inflationary forces in the background of the prime minister's 20-point economic programme. These factors eliminate the basic irritants that stood in the way of rupee trade. In fact, efforts should be made that all new trade arrangements, possibly with China and Pakistan should be based on rupee payment system and the craze of these countries to earn hard currency should be discouraged by bringing home to them the 'mutual benefits' of such barter trade based on rupee payment. The system could be made more workable by providing 'multilateralisation' of rupee payments in hard and exceptional circumstances depending upon the merits of each case.

It is for the exporters and the government to take a fresh and unbiased look at trade with the rupee trade area and to exploit the available opportunities. It is always advantageous to have trade sources which do not require payment in convertible currency. In other words, it is not proper to place all your eggs in one basket. The exchange of goods under rupee payments arrangements ran into difficulties in the past mainly because of unwillingness on the other side to adjust these arrangements according to changed circumstances, i.e., in the light of the growing sophistication of the Indian economy. There is no doubt, however, that after the prime minister's recent visit to the USSR (June 1976) and given the extent of goodwill generated, the problem of rupee-rouble parity which has been discussed at the highest levels would be solved amicably thereby eliminating one of the gravest sources of irritation.

references

1. Yugoslavia no doubt dropped out of rupee trade in 1972 due to basic and structural changes in her economy and Poland reluctantly agreed to this system in January, 1975 perhaps at the instance of the USSR.
2. Thanks to the Russian order worth Rs 22 crores in the current year for woollen products; Ludhiana industry is humming with activity —*Indian Express* New, Delhi, June 8, 1976.
3. Enquiries are also coming from EEC countries specially from West Germany and France for leather products particularly complete shoes—*Economic Times*, Delhi, June 10, 1976.
4. There are reports that 'switch trade' has declined considerably.
5. *Capital*, Calcutta, January 16, 1975.
6. *The Tribune*—Ambala Cantt, August 14, 1968.
7. This is likely to be the basis of rupee-rouble parity, the talks for which are currently being held.

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Manager

Halting growth in West Bengal

Dr Amar Nath Dutta

Reviewing the current economic scene in West Bengal, the author has listed some of the ills which plague the economy of West Bengal. He is of the view that the West Bengal Financial Corporation and the WBIDC are not as aggressive as their counterparts in some other states. Also, the location of the head offices of the financial institutions in western India has not a little to do with the slow inflow of funds for development, says the author.

FROM WHAT was a premier position on the industrial map of India, West Bengal's economy has been losing ground since the middle of the sixties due to declining investment in vital sectors of the economy. The growth potential of various areas has remained untapped. West Bengal's economy has been one of strategic importance because it has been the focal point of the eastern region of the country which is endowed with rich natural resources. Even though West Bengal has been the largest foreign exchange earner its economy as yet has not received the needed impetus. As a result, the per capita income in the eastern region as also the growth rate is very much lower than that of other regions of the country.

unfavourable impact

Since 1965-66 when recession hit the country's economy, West Bengal was particularly affected because of its dependence on engineering industry which remains the hub of the industrial structure of West Bengal. In the post-recession period, the unstable political situation and consequent labour unrest precipitated a virtual stagnation in the economy of the state. Coinciding with this recessionary phase in the industrial cycle, the reduced Plan outlays for West Bengal as compared to other states had also an unfavourable impact on economic development. Due to disturbing law and order situation, unsatisfactory industrial relations and chronic shortage of power, West Bengal lost production worth several hundred crores of rupees during these years. Later, with the return of a stable government to power in 1972, stability was restored to a great extent but, even with the best of efforts, the economy could not make any significant headway.

What were the disturbing factors? A review of the industrial set-up of West Bengal would make it clear that the economy is particularly dependent on a few industries which are mostly traditional in character. While the three industries, tea, jute and engineering provide employment to some 90 per cent of the factory labour force, the economic disparities resulting from a spatial concentration and severe fluctuations in international demand have raised serious concern. Both jute and tea are affected by strong cross country competition overseas and the emergence of subsidies as a result of which most of the units have turned sick. In the case of engineering industry, substantial cutbacks in government's spending and slashing of export orders or offers at unremunerative prices have turned such units less viable than before. Then again, in the case of cotton textile industry, the locational disadvantage made the working of the industry uneconomic and the high freight rates spurred up the operational costs. Thus, on a major reckoning, the entire industrial complex in West Bengal now stands vulnerable and exposed to the risks of severe fluctuations in industrial cycles.

The major impediment in the growth of the eastern region has been inadequate infrastructure facilities, particularly power, transport and communications and the lack of an aggressive drive towards industrialisation. At the moment when there is urgency for rapid import substitution to achieve economic self-sufficiency in the country, policies should be more forward-looking to enable effective utilisation of the vast potential lying untapped in the eastern region. Industrial policies and other considerations which have led to many restrictions in the expansion of the economy need to be reviewed in the light of the present situation. In this context, it is necessary that the financial assistance from banks and financial institutions for West Bengal and for the eastern region should be stepped up and adequate financial resources made available for development and industrial revival of the region. The figures given in the table below would corroborate that industrial licences could not be adequately implemented in West Bengal during the period 1972-75.

An idea of the financial assistance receivad from an apex institution such as the IDBI during the 10-year period from 1964-65 to 1973-74 will also reveal the disparity in financial assistance as between different states. During this period, the IDBI sanctioned a loan of a little above Rs 909 crores of which the share of Maharashtra, Tamil Nadu, Gujarat and Karnataka together was Rs 535 crores and that of the rest of the country, Rs 375.37 crores. The eastern region got a meagre Rs 174.90 crores while the four other states

Implementation of Licences During the Period from 1972 to 1975 for Industrial Projects in West Bengal

	1972	1973	1974	1975
1. Total no. of industrial licences received	55	45	109	74
2. Total no. of industrial licences cancelled/revoked/lapsed	3	1	Nil	1
3. Total no. of industrial licences implemented				
(a) Fully	43	29	49	16
(b) Partly	3	5	3	12
Total ...	46	34	52	28

Source: "A Review of Industrial Growth in West Bengal," Commerce and Industries Department, Government of West Bengal, March 1976.

received 58.7 per cent of the total funds invested by the IDBI.

Recently, it has been emphasised by the union Revenue and Banking minister that there is need for building up the necessary infrastructure in the eastern region to absorb more finances and for this the banks and financial institutions should come up in a large measure. The West Bengal minister of state for Public Undertakings, Cottage and Small Scale Industry recently deplored that industries were not going to backward areas and for this he felt that banks should pay more attention to the development of growth centres in West Bengal so that industries would be dispersed.

revived climate

The climate for making fresh investment has no doubt revived to some extent but in spite of the best intentions of the government, it has not yet been possible to gear up the working of the West Bengal Financial Corporation or the WBIDC to the required extent. The operational results of the WBFC do not show a steady curve. Loan approvals fell from Rs 147 lakhs in 1970-71 to Rs 104 lakhs in 1971-72. Thereafter recording some improvement in 1972-73, such approvals receded to Rs 57 lakhs in the first half of 1974. Loan disbursements also did not furnish a happy record either. From a total of Rs 64 lakhs in 1970-71 such disbursements came down to Rs 27 lakhs in the first half of 1974. The Committee on Public Undertakings in the report on the working of the WBFC observed that factors such as availability of infrastructure facilities including power and raw materials affected the ability of the state financial corporations to extend their assistance in a big way to the backward areas. It was also indicated that the WBFC should make every effort to procure raw materials for the industrial units by establishing contacts with different service organisations and government departments.

The role of WBIDC has yet been limited to a catalysing agent for industrial investment. It may not be out of place to state that the surge in the industrial growth in such states as Maharashtra, Gujarat, Tamil Nadu and Karnataka was to a large extent due to the persistent endeavour of the state industrial development corporations which acted as promotional agencies in these states. The respective IDCs in these states completed comprehensive districtwise surveys of industrial potentials a decade ago. In West Bengal, the job remains to be completed as yet. Maharashtra's SICOM and Tamil Nadu's TIIC started with the basic task of setting up an industrial infrastructure. The contrast appears too glaring to be skipped over. The WBIDC has catalysed till now 317 projects, out of which 79 are in an advanced stage while 58 are pending for various types of clearance. Since its reorganisation in 1972, the WBIDC has catalysed an investment of about Rs 112 crores.

The SICOM in contrast has a success story which is quite revealing in character. Within a period of about 10 years, SICOM has catalysed an investment of Rs 330 crores in more than 15,000 units. Significantly, much of this new investment has been disbursed towards new growth centres in the state. A new dynamic approach on the part of SICOM, continuous reappraisals of the incentives, evolving specific solutions to the problems of the enterprise and image promotion through hard-sell advertisements accredited the scheme to a pioneer's role. In West Bengal although the government has started eight growth centres the performance of each of them appears wide off the mark. The potentials of the growth centres are not transparent either and the required infrastructural facilities have not yet been set up. An imaginative approach towards the problem of development and either an industrywise approach or a comprehensive centre-wise development would have been more pragmatic.

reorientation needed

The need for reorientation of the industrial structure cannot therefore be overemphasised if the state is to restore grounds it had lost to others over a decade or so. Unless a solid industrial base is developed and enlarged subsequently, the crisis will continue to affect more than 140 million people in the eastern region. In order to balance the outmoded industrial structure, it is necessary to develop new growth industries in West Bengal. For this, Haldia should get the highest priority since it promises the setting up of a petrochemical complex. With the proper utilisation of current capacity of 2.5 million tonnes of crude in the production of naphtha, the refinery will be able to realise about 1,000 tonnes of naphtha a year from existing light distillates. Besides, a complex of port-based industries could be started once Haldia is commissioned into use. The enterprise is expected to create more than 18,000 jobs, and in view of the encouraging response from private industrialists (already 230 applications had been received till the middle of the year) the chief minister was justified in advancing Haldia's claim to be treated as an export zone with special facilities for importing raw materials and for the required infrastructure to process exportable finished goods.

impressive investment

On the other hand, eight public sector units have already invested an impressive Rs 427 crores, while the 12 private and joint sector industries accounted for about Rs 48 crores. West Bengal's request for stepping up the refinery capacity from 2.5 million to 3.5 million tonnes has not been favourably considered by the centre nor has it agreed to the setting up of a shipbuilding yard. Another growth centre containing excellent potentials is Salt Lake where tremendous scope exists for increasing exports from the eastern region. In fact, it is difficult to understand why the export processing zone in Dum Dum has not come up though this has been under discussion for the past three years.

The government of West Bengal is without doubt keen on its efforts to promote industrial development, while private enterprise is equally anxious to go ahead with all its resources, expertise and established know-how but a breakthrough cannot be made in this regard because of the various constraints and handicaps existing in this field. Since most of the financial institutions have their head offices located in the western region, they are unable to take spot decisions whenever necessary. For this, it may also be desirable to set up a development bank for the eastern region in West Bengal to cater for the long-term needs of industry. It is equally necessary to plan the supply of raw materials and power for cumulative expansion of the economy over a perspective period.

WINDOW ON THE WORLD

Electing a President

Who will be the next President of the USA—Gerald Ford or Jimmy Carter? How is this election conducted? In this article from the September 1976 issue of BUSINESS REVIEW, a monthly newsletter of the Bank of Montreal, an attempt has been made to explain the procedures adopted in the election of a President.

THE OFFICE of President of the United States of America has long been one of great power and influence. As usual, people around the world will follow this year's presidential election with keen interest; but to many, the mechanics of the United States electoral process are something of a mystery.

The intention here is to describe the sequence of events which culminate in the election of the Chief Executive of the United States of America in order to assist readers in following developments in this presidential election year.

The American President is not actually chosen directly by the voters but rather by 538 persons who, though they never meet as a body, are known as the electoral college. The Constitution of the United States provides for each state to "appoint" to the electoral college a number of electors equal to the total number of Senators and Representatives which that state sends to Congress. There are now 100 Senators and 435 Representatives in Congress. In addition, pursuant to a Constitutional Amendment adopted in 1961, the district of Columbia is entitled to appoint three members to the electoral college. These figures change every ten years as a result of the reapportionment of representatives to Congress on the basis of population following each decennial census.

While the allotment of presidential electors is a federal responsibility, under the Constitution the method of selecting them comes under the jurisdiction of state legislatures. When the Constitution was first drafted, it had been intended that the electoral college would be composed of members selected by state legislatures but with the evolution of political parties, each with its own choice for President, the method of selection has changed radically. In practice, state legislatures have directed that the electors be chosen by popular vote within the state. A further trend that had important implications for the presidential selection process was the movement away from voting for presidential electors on a district basis to a system whereby all voters in a state choose electors "at large".

Although these trends have been common to every state the exact procedure by which electors are nominated and elected varies widely because of the diversity of state election laws and party procedures at the state level. However, in every state, at various dates in the election year, each party nominates a list of electors equal in number to the total apportioned to that state. The party then submits its "slate" to state government officials for election administrative purposes. Although several states lack statutory regulations concerning the nomination of independent candidates, in every state there are provisions that enable minor or new parties to nominate and submit a list of electors.

When voters go to the polls on election day—November 2, 1976—they will be confronted by one of three types of ballots depending on the state in which they reside. Some states print the names of the presidential and vice-presidential candidates and under them the corresponding lists of electors; others print only the names of each party's candidates; still others print only each party's electoral slate. In all states except Rhode Island and Virginia the voter is not allowed to choose between individual electors but must choose between party slates. Thus, in all but these two states and in Maine, a simple majority of the popular votes cast in a state will carry all the state's electoral votes for one party. In Maine a district system was adopted in 1969. Two of the state's four electors are determined on the basis of the majority party in the state-wide vote while the other two are selected on the basis of the party with a plurality in each of the two congressional districts.

legal provisions

Although the name of the future president is usually known by the end of election day, he is not then legally elected. The electors chosen by popular vote on November 2 will meet on December 13 in their respective states to cast their ballots for president and vice-president. The Constitution requires that each elector must vote for a presidential and vice-presidential candidate at least one of whom must not be a resident of the elector's state.

While there are few legal provisions concerning the way in which electors cast their ballots, it is generally expected by the populace and by the party concerned that electors from each state, once elected, will vote as a unit for the presidential candidate nominated by the national convention of their party. This, in fact, has traditionally been the case and, during the last century and a half, only ten electors have failed to vote for the candidate whom they had been pledged to support. The most recent instance was in 1972 when one Republican Elector from Virginia voted for the Libertarian Party candidate which received only 3,673 votes nationwide.

A different kind of departure from the norm occurred in 1960 when the states of Alabama and Mississippi elected slates of electors which, while nominated by the Democratic Party, were totally uncommitted to any presidential candidate. All eight of Mississippi's unpledged electors and six out of 11 electors in Alabama voted for Senator Harry F. Byrd (Dem., Va.) rather than the official candidate of the Democratic Party—John F. Kennedy.

Early in January, the Senate and the House of Representatives, having previously received certified copies of the electors' ballots, will sit as a body to witness the counting of the ballots. The candidate who obtains an absolute majority of the electors' votes is then legally elected President of the United States. If the electoral college fails to give the majority of its ballots to one candidate, the Constitution stipulates that the election must be decided in the House of Representatives on the basis of one vote for every state. This provision has not been used since 1824.

Prior to, and concurrently with, the sequence of events described above, there is a complex process by which the two major parties choose their candidates for President and Vice-president. The process begins at the state level with both parties selecting delegates to their respective national conventions. The number of delegates apportioned to each state is weighted roughly according to the number of representatives and Senators in Congress to which the state is entitled and, to a certain extent, on the success of the party in that state in the previous election.

party organisations

Like other features of the American election system, the selection of delegates is controlled by state party organisations and regulated by state legislation. The exact method of selection, therefore, varies widely from state to state. In general, however, there are two basic types. The primary system is now the dominant method of delegate selection while the caucus system, although on the decline, still remains important.

Until recently, the caucus system—a party convention at the state level—was used in most states. In 1968 more than half of the delegates at the national party conventions were elected by caucuses held in 34 states. This year, however, 75 per cent of the delegates at the Republican and Democratic conventions were elected through primaries held in twenty-nine states and the district of Columbia. Reforms by the Democratic Party on the method of selecting delegates following their tumultuous 1968 convention and a general demand for more open government have been the main factors behind the growth in primaries from 17 in 1968 to 30 in 1976.

advisory election

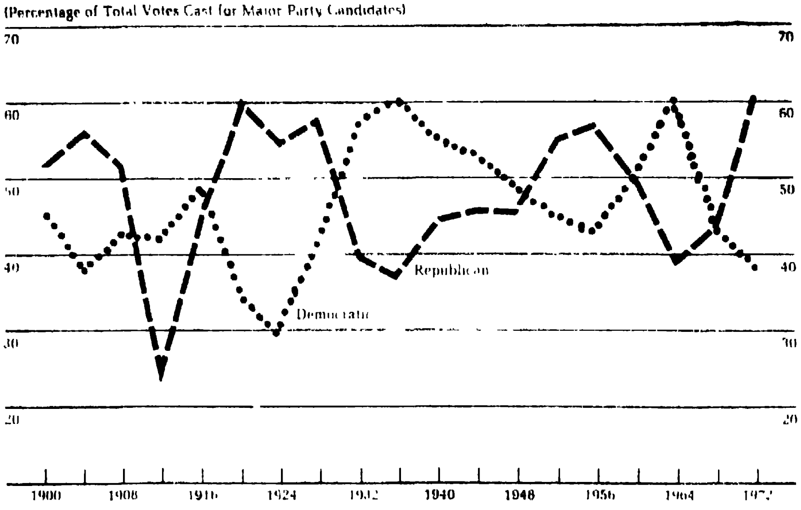
Of all the state primary elections, only the one in Vermont is strictly advisory. The others are all in some way linked to delegate selection and fall within four general categories. In the least complex method, voters simply choose from various nominees – with their presidential preferences usually appearing on the ballot—for delegates to the national party conventions. A second group of states have proportional-representation primaries where the votes for the different candidates are used as the basis for apportioning delegates to the conventions. In some states there is a write-in procedure by which the voter may indicate his preference for someone whose name is not printed on the ballot as a presidential nominee. Another method is called the advisory presidential-preference primary. In the states holding this type of primary voters cast ballots for both presidential candidates and convention delegates, shown as supporting a particular presidential candidate or being uncommitted. A final group of states hold winner-take-all preference primaries in which delegates are bound to vote for the presidential candidate who receives the majority of votes either, in some states, at the congressional district level, or, in others at the statewide level. All primaries, except in Wisconsin, Vermont and Michigan are "closed" in the sense that individuals wishing to take part in a particular party's primary election must be either registered party members or in states where there is no party registration prospective voters may be challenged and asked to swear their party allegiance. However, in the three states mentioned above, voters at the polls are handed ballots for both parties and can use either.

selection of candidate

While the national party conventions, which are held in the summer of a presidential election year, have several purposes, including the writing of the party platform, the item of business which attracts most attention is the selection of the party's presidential candidate.

The Constitution requires only that the President of the United States shall be a natural-born citizen, at least 35 years of age, and resident within the United States for 14 years. It goes without saying, however, that the personal and political

Popular Vote for President


(Percentage of Total Votes Cast for Major Party Candidates)

requirements for a presidential candidate are many and varied. Apart from the obvious criteria of character and ability, it is perhaps significant that, with one or two notable exceptions, certain traditional "background qualifications" appear to apply. For instance, of the thirteen presidential candidates elected since 1900, it is noteworthy that ten have been governors or senators, and eight have hailed from states with more than 20 electoral college votes.

Usually by the third day the national convention has completed its other business, and takes up its principal task—the nomination of presidential and vice-presidential candidates.

The secretary of the convention begins a roll-call of states to place names in nomination. Traditionally, this has been done alphabetically and a state listed near the beginning of the alphabet would often "yield" its nomination position to a state listed later so that a candidate might have the advantage of being nominated by a key state early in the proceedings. While this is still true of the Republican convention, the Democrats in 1972, as part of an overall reform, chose to call the role by lot rather than by alphabet. The qualifications of each candidate are then extolled in nominating and seconding speeches. This procedure is followed by a second roll-call by state in which delegations cast their votes for particular candidates. When there are a number of candidates it may be necessary to take several roll-calls of the states on the convention floor until one candidate achieves a majority of the votes. As a rule, state delegations vote as a unit although delegates from many states are free to vote as individuals if they wish.

The rules covering the Republican and Democratic national conventions differ considerably but both now require a simple majority of the delegates' votes to select a presidential candidate. This candidate assumes the leadership of his party for at least the duration of the election campaign and serves as its national standard-bearer.

One of the first tasks of a candidate, once he has received the nomination of his party, is to indicate his choice for running mate — the party's nominee for Vice-president whose name will be coupled with that of the presidential candidate. Ronald Reagan, in his unsuccessful bid for this year's Republican nomination, broke with tradition in that he named his choice for Vice-president before the nominating convention even began. The Vice-president, who must meet the same constitutional qualifications as the President, succeeds to the "powers and duties" of the presidency in the event "of the removal of the President from office, or of his death, resignation or inability to discharge the powers and duties of said office..."

In all, just under 150 million Americans are eligible to vote in the 48th presidential election. The turnout in the 1972 election, the first year in which the 18-21 age group had a vote, was only 56 per cent, a sharp drop from the 68 per cent recorded four years earlier.

The American voter has an unusually heavy responsibility on election day. Not only does he choose the electors for President and Vice-president, but he also votes for his representative to Congress, often for a Senator and usually for a number of state officials. The ballot which he uses to record these choices may include over 100 names and may be over 500 square inches in size.

The voting machine, which was introduced in New York State in 1892, is now used in a number of states and facilitates the recording and counting of votes. Unlike Canadian ballots, American ballots usually carry political party designations in the form of a symbol or party name. Like most other regulations governing elections in the United States, the type of ballot used is determined by each state.

In summary, the major events leading to the choice of the chief executive begin with the presidential primary elections held in various states during the months of February through June. Subsequently, delegates of the major political parties, who have been selected by various means including the state primaries, meet at their respective national conventions to

Results of the Elections in the Federal Republic of Germany

According to the election results for the Bundestag held on October 3, 1976, the social democrats (SPD) and the liberals (FDP) polled 42.6 per cent and 7.9 per cent respectively of the total votes polled. The opposition parties, the CDU and the CSU, polled 48.6 per cent of the votes. The SPD-FDP together won 252 seats as against 244 seats by CDU-CSU. The ruling coalition thus retained the majority to form the new government.

Results of the Bundestag Election

	Bundestag election 1976		Bundestag election 1972	
Parties	Per cent	Seats	Per cent	Seats
CDU/CSU	48.6	244	44.9	225
SPD	42.6	213	45.8	230
FDP	7.9	39	8.4	41
NPD	0.3	—	0.6	—
DKP	0.3	—	0.3	—
Others	0.2	—	0.1	—

Participation 91 per cent.

choose their candidates for President and Vice-president.

This year the Democrats convened in New York City on July 12 for their national convention. With the outcome not in doubt after the one-sided results in the primaries, Jimmy Carter easily won the presidential nomination of the Democratic party on the first ballot. He chose as his running-mate Senator Walter Mondale of Minnesota. On August 16, the Republicans gathered in Kansas City and after a close vote President Ford emerged as the party candidate for the November election, choosing Senator Robert Dole of Kansas as his candidate for Vice-president.

Active election campaigning usually begins after Labour Day and continues to just before election day, which this year falls on November 2.

The members of the electoral college will meet in their several state capitals on December 13, 1976 to cast their ballots for President and Vice-president.

On January 6, 1977, the 538 electoral ballots will be counted before the new Congress and, in compliance with the Constitution, the candidate who receives an absolute majority will be legally elected President of the United States of America and will assume office on inauguration day two weeks later.

Indo-Arab dialogue on trade and collaboration

K. M. Pathusha

In view of the importance which the Arab countries have won since the hike in crude oil prices, our country has made strenuous efforts to increase trade and economic cooperation with them. This article attempts to list the recent collaborative efforts between our country on the one hand and Egypt, Bahrain, Iraq, Algeria, Jordan, Syria, Libya and the UAE on the other.

IN A message on the occasion of the second anniversary of the Arabic Feature Service of Press Asia International, Mrs Indira Gandhi regretted that Indo-Arab trade and economic cooperation were not moving fast enough, mainly because trade patterns set long ago were still continuing. She also urged "we must step out of such grooves". However, the trade trend during the last three years have shown that Indian exports to Arab countries have increased by at least 100 per cent and more spectacular results are in the offing. The Arab world is at present one of the principal purchasers of the products of India's modern industry as well as of the sophisticated consultancy services our country is capable of offering.

The year 1974-75 was particularly auspicious in this respect as Indian sugar, tea, jute manufactures, cement and cotton piecegoods found a ready market in the Arab countries. A delegation of the Federation of Indian Chambers of Commerce & Industry which visited the Gulf countries recently found the climate of Indo-Gulf cooperation and collaboration particularly promising. In addition to the traditional items of export, Indian engineering goods and railway equipment were in great demand and our bids for constructional projects on a consortium basis seem to be welcome.

An Egyptian delegation led by Mr Shukri El Nahal, under-secretary in the Egyptian ministry of Foreign Trade, visited India for a week in December last year and undertook a comprehensive review of Indo-Egyptian trade including the question of trade through convertible currencies instead of rupee payments and the possibility of purchase by India of long staple cotton. In November 1975, Hindustan Motors delivered 120 buses to Egypt at a cost of $1.25 million paid for by Saudi Arabia. It is believed that Egypt is processing a deal to import about 1000 Tata trucks during the next three years.

Indo-Egyptian and Indo-Sudanese trade and economic co-operation received their due attention in the wake of President Fakhruddin Ali Ahmed's visit to these countries in December 1975. The three presidents emphasised the need for the developing countries to cooperate among themselves in matters of trade and development. The sluggishness which was witnessed in Indo-Sudanese trade has since been rectified.

The Kuwait minister for Oil, Mr Abdul Muttalef Al Kazeim, visited India in December last year and the two countries discussed possibilities in the fields of oil and oil products, fertilizers, petrochemicals and drugs.

Kuwait agreed to give a loan of $50 million for the Kalinadi hydro-electric project in Karnataka. An agreement for a loan was signed by the Kuwait minister for Public Works Mr Homoud Al Nisaf and the economic affairs secretary, Mr M.G. Kaul, on January 27, 1976. The loan was on soft terms with four per cent interest and repayments in 25 years, including a grace period of five years. The loan had been made available out of Kuwaiti Fund for Economic Development. Engineering Projects (India) Limited, a unit in the public sector, has been awarded a turnkey project contract to build an integrated modern township, "Haldan" in Kuwait costing Rs 230 crores in foreign exchange. This is the largest ever turnkey project undertaken abroad by any Indian firm. This unit is already associated closely with a Dutch company in building the international airport in Kuwait.

Possibilities of Bahrain obtaining a regulated inflow of labour and skills of various levels for its projects from India were discussed at an official meeting between the union minister of Labour, Mr K.V. Raghunatha Reddy, and Sheikh Isabin

Mohammed Al Khalifa, minister of Labour and Social Affairs in Bahrain on February 5, 1976. The Bahrain government was also interested in getting its officials trained in India.

The Foreign Trade minister of Iraq, Mr Hikmat Al Azzawi, visited this country in February 8 this year for talks on ways to expand trade and economic relations between the two countries. An advance party of senior Iraq officials led by Mohamed Sayeed Al Aswad, Director-General, Ajwan Iraq Trade Company, had been in New Delhi since early February to prepare the ground for the ministerial level discussions. The promotion of Indo-Iraq trade with the concerned ministers, the STC and Steel Authority of India was discussed. Before Iraq acquired full control over its oil resources, the trade relations between the countries were regulated by bilateral arrangements negotiated every year. The arrangements provided for import of dates from Iraq; in return India exported goods and commodities with two to four time the value of dates.

Iraq will supply to India about four million tonnes of crude oil during the year, according to a decision taken at the meeting of the Indo-Iraqi joint committee which met in New Delhi between March 29 and April 2, 1976. This was 1.1 million tonnes more than what Baghdad supplied to India in 1975. The crude imports are expected to increase progressively during the coming years.

Iraq's offer

Iraq had agreed, in principle to supply 112 million tonnes of crude over a ten-year period beginning last year. The original plans were to utilize the six million tonne refinery to be built in Mathura for the Iraqi crude but the Bombay High crude is now earmarked for this unit and Iraqi crude is to be used by the various refineries when their capacity is increased.

Iraq has offered special credit terms for the crude supply which are under negotiations. Talks on this and other aspects of cooperation with Iraq will be held soon.

Both the countries have also reached agreement on some "major new projects" in which they will collaborate. Letters were exchanged on the projects between India's minister for Petroleum Mr K.D. Malaviya, and Mr Ghanim Abdul Jalil, Iraq minister for Higher Education and Scientific Research. Final agreement on the projects will have to wait for further talks. The six committees appointed by the joint commissions discussed such subjects as trade in petroleum goods, transports and services, industrial collaboration, agriculture and irrigation, and cultural and technical cooperation. Immediate cooperation between the countries is envisaged in trade, agriculture and irrigation and animal husbandry. Production cooperation agreements envisaged joint ventures in such areas as petroleum, fertilizers and petro-chemicals. Experts are to be exchanged. The Indo-Iraqi joint commission will meet next year to assess the progress of Indo-Iraq cooperation. The Indian railway technicians have already done a lot of good work in Iraq.

Indo-Algerian pact

A trade agreement was signed between India and Algeria on February 10 this year according to which Algeria would export crude, liquefied gas and fertilizers to India against the import of engineering goods, spices, tea, coffee, cement and chemicals.

Our country had contracted for the import of 3.3 million tonnes of crude from Saudi Arabia to cover a period up to the end of 1975. Saudi Arabian Development Fund has agreed to provide aid up to $100 million for Srisailam project.

The Indo-Jordan cultural pact was signed on February 15, 1976, providing for cooperation between the two countries on art, culture, education, science and technology. There are nearly 40 Jordanian students studying in India at present.

The Rail India Technical and Economic Services, the Railway ministry's consultancy service, has completed a field survey and an economic study of three railway lines totalling 450 km in Syria.

India's economic cooperation with Libya is today worth over Rs 100 crores. Discussions on additional projects are continuing. Indian consultancy firms both in the public and private sectors, have won contracts for comprehensive feasibility studies for the steel plant proposed at Misratha.

Other contracts include a transmission line tower erection project, a textile mill complex and a major airport project at Ghat ($21 million). A contact worth Rs 102.5 crores for the construction of a power station in Libya has been awarded to the BHEL. With this, the aggregate value of India's economic collaboration with Libya would touch Rs 230 crores, the highest with any developing country.

further cooperation

The second session of the Indo-UAE Joint Panel in New Delhi emphasised the need for further cooperation. The two sides noted with satisfaction the strengthening of their ties. They reviewed the progress made in implementing the proposals discussed at the first session of the Joint Panel in Abu Dhabi in November 1975. A decision was taken to set up a fertilizer plant in Abu Dhabi as a joint venture. The development of the steel industry in Abu Dhabi, assistance of the Abu Dhabi Fund for Economic Development for Infrastructure, projects in India and Indo-UAE joint ventures in third countries figured in the discussions. Both sides welcomed the excellent relationship between the Indian Oil Corporation and the Abu Dhabi National Oil Company. It was agreed that the possibilities of expanding cooperation in the field of oil should be explored.

Our country is to get a loan of Rs 15.1 crores from Abu Dhabi Fund for Arab Economic Development for financing the building of a 108 MW power station at Gharwal-Rishikesh-Chimila. The loan will carry 3.5 per cent interest per annum and will be repaid in 20 years. There is considerable scope for further intensification of cooperation in the economic, technical and cultural fields to the mutual advantage of India and Abu Dhabi. Our country gets one million tonnes of crude a year since 1975 from the UAE on soft terms.

For the first time it has been accepted by the Arab world that India is a good proposition for foreign investors. This recognition no doubt follows from what the government of India has been able to do for bettering the investment climate through liberalisation of economic policies.

Interview : V. Krishnamurthy

BHEL wipes off all losses

In a recent interview with Mr S.P. Chopra, Acting Editor, *Eastern Economist*, Mr V. Krishnamurthy (chairman and managing director of Bharat Heavy Electricals Ltd.) listed not only the achievements of BHEL but also the directions in which its activities were being expanded. Having mastered the technique of manufacturing power plants in the 200 MW range, BHEL was working out plans to undertake the manufacture of plants of higher ratings. What was more, BHEL had proved that its technology and expertise were second to none. Ample proof of BHEL's capabilities was available from the fact that countries such as New Zealand had placed orders on it for the supply of power equipment.

Q. *I learn that BHEL did very well in 1975-76 in terms of turnover and profitability. Could you briefly outline the achievements of last year?*

A. In the year 1975-76 total turnover was Rs 415 crores and the pre-tax profit Rs 55 crores. With this, it has been possible to wipe off all accumulated losses and separately provide for development rebate as well. As compared to 1974-75, the gross profit was almost at the same level. It might level off around this figure for another year or two while turnover may continuously increase. Having cleared away accumulated losses completely, we would now very much like to pass on to the consumer as much advantage as we derive from increased productivity.

Q. *You have just said that during 1975-76, the turnover was Rs 415 crores; what turnover do you expect in 1976-77?*

A. We have fixed the target for 1976-77 at Rs 426 crores. As far as the capability of BHEL is concerned, we can produce machinery much more—say around Rs 475 crores. However, in 1976-77, we are deliberately keeping our production programme at a lower level to fall in line with the financial provisions made by the Planning Commission for the various state electricity board projects. We have deliberately slowed down the manufacture of power equipment, particularly turbines and generators, and have tailored our production programme to suit the progress of power projects. This type of a cyclical demand is not faced by BHEL alone. Many organisations all over the world face such situations. We want to convert the situation to our advantage by utilising this opportunity to make a number of qualitative improvements in the goods and services that we offer to our customers. We are putting in tremendous amount of effort for updating our technical knowledge and designs. Steps are being taken to ensure that the quality and reliability built into our products is continuously improved. In addition, measures are also being taken for cost reduction.

Here I would like to mention about diversification of our product range. The level of power development anticipated for the next five to 10 years in the country has made it necessary for BHEL to diversify its manufacturing profile and also look for the export market. With the existing facilities available at Hardwar, Hyderabad, Bhopal and Tiruchy and the manpower that we have, it is possible for us to produce anything up to 5,000 MW power equipment per annum. This level of output ranks BHEL among the top five or six international companies in this business. Last year we made available 3,435 MW of power equipment. Long-term domestic demand for power equipment as projected today, is less than our overall manufacturing capacity. Hence, we have naturally got to take up the manufacture of products of allied technology. We are also looking out to export markets.

Q. *What are your plans for exports? How much do you hope to export this year and the next year?*

A. By the end of the calendar year 1976, I think we will pick up export orders to the tune of Rs 200 crores. That is actually our corporate objective also: 20 per cent of our turnover should find its way into the export market. But for a kick-off during the current year, I expect that our total order book for exports would be around Rs 200 crores. We have ventured into this field only recently. This is obviously an ambitious target.

Till recently, export orders of value ranging between two and eight crores of rupees were considered fairly big. Tackling them was considered satisfactory performance. We started marketing our boilers in one of the Far Eastern countries —Malaysia—and have since then received four repeat orders for nine boilers aggregating to 870 MW. The last contract from Malaysia was for three 120 MW boilers costing nearly Rs 18 crores. We have also received an order for eight hydrogenerators of 53 MW and two generators of 60 MW each from New Zealand. The value of the order is around Rs. 11 crores. The fact that a developed country like New Zealand has placed order on an Indian organisation for the supply of power equipment for one of its large hydro-power projects gives me the confidence that our technology and expertise are comparable with the best in the world.

And more recently, as you may be aware, we have bagged a very large order worth Rs 100 crores from Libya for setting up a 2 x 120 MW thermal power station at Tripoli on a turnkey basis. The order was won in the face of competition from several leading and established power equipment manufacturers of Europe and Japan. We have undertaken entire responsibility for this project from station engineering and equipment supply to civil works erection, commissioning and operation. This is one of the largest single engineering export orders bagged so far by the country and it has quantitatively doubled India's trade involvement with Libya. The Tripoli West thermal station will be Libya's largest power project.

Q. *With this highly competitive market,* *Where is a broader question of research and Development. You cannot stay put, you have to innovate, you have to make your own efforts to accelerate R&D. What steps have you taken in this regard?*

A. We are operating in a field of high technology. Having realised this position three years ago, we tried to marshall all the engineering capabilities of the organisation. One of the main benefits of the merger of Heavy Electricals India Ltd, Bhopal, and Bharat Heavy Electricals Ltd which took place, in effect, from mid-1972, was the pooling of the engineering knowledge and expertise available in the country. In the last two years, we have gone through a massive reorganisation of the engineering function in BHEL involving rationalisation of products, and identification of centres which will take care of R&D for different products. We have identified about 23 different product lines and allocated the responsibility for R&D to the unit managements in Hardwar, Hyderabad, Bhopal and Tiruchy. We are trying to develop engineering centres rather than allow the available expertise to be distributed and scattered in different centres. We have identified one person as the leader for each product line and designated him as the Engineering and Development Manager. We are going through an exercise of evaluating and updating the technology in which we are operating today.

Over and above that we have formed two new divisions: one is the Research and Development division at Hyderabad where we have already brought together nearly 150 engineers and scientists who are working on insulation technology, basic research in the fields of chemistry, physics, metallurgy, vibration characteristics etc. We have also set up at Delhi a separate group of engineers and scientists under the "Energy Systems and New Products Division" which continuously help in identifying gaps in technology and suggest ways to improve our own capabilities for meeting both the national and international needs.

We are presently making conventional types of coal-fire boilers which pose some difficulties from the combustion point of view. We are, therefore, working on a project to develop fluidised bed boilers which will result in better utilisation of Indian coals which are generally abrasive and contain high ash content.

BHEL is presently manufacturing sets of 210 MW rating for thermal projects and 235 MW turbo-generators for nuclear projects. Our first 200 MW set is expected to be commissioned early next year. We have also got plans to undertake the manufacture of thermal sets of even higher ratings and have recently entered into an agreement for the design and manufacture of such sets with Kraft Work Union of West Germany.

Q. *What progress has been made in wind, tidal and solar energy generation?*

A. These alternative sources of energy may not make a significant contribution towards meeting the total energy requirements of the country but development in this field is really necessary because there are pockets in our country where harnessing of wind, tidal, geo-thermal and solar power will be useful and necessary. I envisage a fairly wide application for solar power systems in our country especially in the rural areas in the long run. The type of tests and experiments which are being conducted today are bound to produce some useful results. In one or two years, you will find a profound impact of these efforts at home as well as abroad in industrial application.

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TRADE WINDS

Indo-Polish Trade

INDIA AND Poland have signed recently a four-year trade protocol giving a new dimension to trade and economic relations between the two countries. The protocol was signed by the Commerce minister, Prof D.P. Chattopadhyaya and Polish minister for Foreign Trade and Shipping, Mr J. Olszewski, who led the Polish delegation. The two countries also signed the annual trade plan for 1977, covering the first year of the four-year protocol, which provides for a progressive increase in the annual turnover from Rs 230 crores next year to Rs 260 crores by 1980. It also incorporates their commitment to seek and explore production cooperation in joint ventures for exports to third countries.

Areas for Cooperation

Some areas for cooperation have already been identified. For instance, two letters of intent for such cooperation were signed by the Polish delegation with a private Indian party. One proposal was for producing vodka from potatoes for export with technical cooperation and equity participation by Poland in the form of plant and equipment.

Under the second proposal, Poland will supply the Indian firm a fully equipped deep sea fishing vessel and the necessary technical know-how. Poland might also help in introducing new varieties of potatoes which have a longer staying power, both for the alcohol unit and for export to third countries. The two delegations also set up three expert groups to examine various possibilities for production cooperation.

Rupee-Rouble Parity

A new formula on the rupee-rouble parity has been evolved at the third round of Indo-Soviet talks that concluded recently in New Delhi. Some of the secondary and unimportant issues, however, remain unresolved. Since greater understanding has been reached even on these secondary issues, it is hoped that an agreement would be finalised at the next round of talks expected to be held soon. This country has never accepted the view that during the three years when the rupee remained linked with the pound sterling, there was a virtual devaluation of the rupee and that, therefore, there should be a revaluation of the Indo-Soviet credit agreements. Each such credit agreement specifies an exchange rate for valuation and there is no question of any revaluation even if it were to be assumed that there has been a fluctuation in the parity value of the rupee. In all rupee agreements the unit of account is the rupee and not rouble or any other foreign currency. Moreover, unlike the dollar, pound sterling or yen, the rouble is not traded in the world money markets and the linkage between the rupee and the rouble is not determined by the changing trends of these markets. The Soviet experts, who participated in the round of talks that concluded recently, have now a better understanding of the Indian position and it is expected that a final agreement would be reached soon.

Maintenance and Utilisation of Equipment

A conference of manufacturers and suppliers of industrial plants and equipments, government officials and representatives of users and professional organisations was held recently. It was sponsored jointly by the Directorate General of Technical Development and the National Productivity Council. Mr B.P. Maurya, minister of state for Industry, inaugurated the meeting. The national seminar on maintenance management had evolved a national plan on maintenance management at a seminar held last year.

This plan outlined specific obligations of plant manufacturers and users with the purpose of reducing the national down-time of equipment to 50 per cent of the current level within a period of five years. A number of follow-up measures were taken by the DGTD, NPC and other agencies in close cooperation with industry.

The objective of the new move is to promote further action on the plan by bringing together equipment manufacturers and users and representatives of the government and professional organisations in specific fields such as fertilisers, petro-chemicals, refineries, automobile units, machine-tools, process machinery and electrical accessories industries.

The national seminar had listed the obligations of plant and equipment manufacturers as follows: (i) to ensure reliability and maintainability of equipment through proper attention to design, tribology aspects, etc.; (ii) supply of adequate technical information and catalogues for the operation and maintenance of the equipment; (iii) training of project personnel at suppliers' premises, especially at the managerial and supervisory levels, and to organise this activity even after the guarantee period, until the project personnel are capable of operating and maintaining the equipment efficiency; (iv) to ensure quality of the product and easy and consistent availability of spare parts including after-sales service; and (v) to inter-act with the users and arrange a feedback mechanism within the organisation as well as a reporting system to be organised on the corrective action taken.

Development of Ancillaries

A seven-point programme for the development of ancillary industries by the public sector units, which would include the responsibility for overall marketing and encouraging technical personnel to set up ancillary units was, placed before the heads of public sector units by the minister of state for Industry, Mr A.P. Sharma recently. He pointed out that the growth of ancillaries around public sector units had not been up to expectations. There were about 300 ancillary units around public sector undertakings. While the total turnover of public sector units was around Rs 10,000 crores, their total purchases from small-scale units was only Rs 36 crores. He added that in countries like the US and Japan a major portion of the production of large-scale units was taken up by the ancillaries. He made various suggestions to rectify the situation. These are : The approach to organised ancillary units should be industry-wise and as far as possible, they should centre around a particular unit in public sector. They may cover such industries as machine tools, electricals, chemicals, leather etc. The public sector undertakings should take positive steps to buy components and parts from ancillaries which are in a position to meet the quality standards and maintain delivery schedules.

Public Sector Selection Board

The government has reconstituted the Public Enterprises Selection Board. The new chairman of the board is Mr A.N. Banerji, a former Director General of the Bureau of Public Enterprises. He was associated with Hindustan Steel Limited for many years and at present is the adviser to the government of Gujarat. The new board includes three secretaries to the government. They are : Mr P.C. Alexander, secretary, department of Foreign Trade; Mr S.M. Agarwal, secretary, ministry of Communications and Mr V.P. Sawhney, member, Railway Board. The fourth member of the board is Mr M.L. Zutshi, chairman, Hindustan Paper Corporation. The Public Enterprises Selection Board was first set up in 1974. Its first chairman was Mr V.G. Rajadhyaksha, chief consultant in the Planning Commission and ex-officio secretary to the government. Although recruitment, training and promotion of the bulk of the managerial posts in the public enterprises has been delegated to the companies to give them managerial autonomy, the task of the Public Enterprises Selection Board is to appoint top management personnel to ensure quality and increase mobility at that level. The Board appoints chairman, both part-time and full-time executives or functional directors.

"London Impo-Expo"

Exporters from India, Pakistan, Bangladesh, Sri Lanka and Nepal have expressed their satisfaction over the results of the Impo-Expo trade fair which concluded in London recently. The week-long exhibition was part of the three-week "London Impo-Expo" organised by the Import Opportunities Office for developing countries with the financial backing of the ministry of Overseas Development and the European Economic Community. During the first week, delegates had discussions with leaders in the business and commercial world on marketing techniques in Europe. The second week was taken up with the exhibition of goods. In the third week delegates followed up contacts made during the exhibition with importers and manufacturers. Some 150 trade representatives from 41 countries took part.

Handicrafts Exports

The export target for handicrafts other than gem and jewellery during the current financial year has been fixed at Rs 110 crores as compared to Rs 100 crores in 1975-76. This target was approved by the All-India Handicrafts Board at its meeting held recently. The board also decided to take up two crafts—furniture and toys —for massive development. Presiding over the meeting, the board's chairman, Mrs Pupul Jayakar, stressed the importance of these two crafts in view of the increasing demands for them in the European and middle-eastern countries as well as in internal markets. The board has already taken up massive development of woollen carpet industry and 68 carpet weaving training centres—50 in Uttar Pradesh and 18 in Jammu & Kashmir—have been set up. The scheme for establishing an Institute for Carpet Technology is also under implementation.

Referring to the report of the Task Force on Handicrafts which envisages handicrafts production to go up to Rs 600 crores and exports to reach Rs 250 crores during the fifth five-year Plan, Mrs Jayakar explained that this could be achieved provided sufficient credit facilities were extended to handicraftsmen by the public sector banks. Liberalised credits, she said, would greatly help the bargaining power as well as economic strength of the artisans, and would also improve their living conditions.

Recruitment of Indians Abroad

The government has decided that recruitment of persons for skilled, semi-skilled and unskilled work by private recruiting agencies for service in foreign countries, will be regulated and these agencies will be registered and approved by the ministry of Labour. For some time past, a number of complaints were received about malpractices resorted to by some unscrupulous persons and agencies as a result of which numerous difficulties were faced by the emigrants. It is now proposed that no firm, individual or organisation shall engage in the recruitment of aforesaid categories of workers, unless it is registered and duly approved for the purpose with the ministry of Labour. Intending foreign employers would have to make the recruitment of aforesaid categories of personnel for employment abroad, through Indian recruiting agencies registered with and approved by the ministry of Labour. Amongst other things, the minimum terms and conditions of employment in the case of these workers will be laid down.

Recovery of DA Dropped

As a kind of Diwali gift, the government has announced it would not recover excess payment of additional dearness allowance made to its employees from July to September. The amount the government will lose under the decision is nearly Rs 12 crores. The announcement pointed out that the waiver of the recovery to excess payments of additional dearness allowance for the period from July to September was an "ex-gratia measure" meant to minimise hardship to the employees.

The government had earlier decided to reduce the rates of additional dearness allowance to central government employees from July 1976. Excess payments since July were to have been recovered in five instalments from October 1976 to February 1977.

Indian Consultancy Services Abroad

There has been a phenomenal rise in exports of Indian consultancy services during recent years. The foreign exchange earnings from such services rose to Rs four crores in 1975-76 as compared to the average export earnings of nearly Rs one crore during the period 1970-71 to 1974-75. However, the contribution of consultancy services to the growth of India's exports has been significant, as these lead to higher contracting by foreign buyers. Besides the advantage of providing a ready market for Indian capital goods, recurring exports of raw materials, semi-processed manufacture and spare parts, the consultancy services abroad effectively serve to retain the existing export markets and open up new areas for exports.

The consultancy firms of India have already covered a wide spectrum of industrial and technological activities. Some of the major fields in which they can offer a complete package of services from conception to completion are: civil engineering infra-structure, power generation, transmission and distribution, irrigation and flood control, mining and geology, iron and steel industry, non-ferrous and metallurgical industry, public health engineering, railway engineering, architecture and town planning, consumer industries, etc etc.

New Two-Rupee Note

The Reserve Bank has issued from October 20, 1976 a new series of two-rupee note in new design with the picture of "Aryabhata", the first Indian satellite orbiting the earth. While the size and watermark layout of the new note are the same as in the existing two-rupee note, the paper used is slightly thicker and is also treated with a special resin to increase its wet strength and durability.

Revaluation of Mark

The Finance ministers and governors of Central Banks of the European currencies decided on October 17 to adjust the currency relations in the framework "of the snake". The revaluation of the interchanging currencies in the "snake" has been provided in a way that towards all European partners the Mark has been upvalued by two per cent. Against the Danish Kroner, however, the revaluation was four per cent, but a decrease towards the Swedish and Norwegian Kroners by one per cent was decided. The currency rates towards Belgium, the Netherlands and Luxembourg remained unchanged as before.

Foreign Exchange for New Projects

Apart from the broad recommendation for the liberal import of capital goods (plant and machinery), a committee appointed by the government to suggest ways to use the growing foreign exchange reserves profitably has made a number of proposals. These include the development of the Donimalai iron ore deposits in the Bellary-Hospet area by establishment of a pelletisation plant for export, modernization and expansion of ports and purchase of 200 trawlers for deep-sea fishing and ocean-going vessels.

The committee, which was headed by Mr. M.G. Kaul, secretary in the Department of Economic Affairs, has already had some of its recommendations implemented. These include the liberal import of capital equipment, drawings and designs to create new industrial capacity. Tied up with the committee's recommendations are those made by another task force headed by Mr M. Narasimhan, additional secretary in the Department of Economic Affairs for modernisation of the textile, jute and sugar industries. It has proposed the import of equipment and provision of soft loans by the public financial institutions, at an estimated cost of Rs 150 crores. The mills to be chosen for modernisation were those which had reasonable prospects of achieving financial viability. Loans to them would be strictly for the purpose of buying modern equipment and decisions on this would be based on techno-economic feasibility studies.

Cooperative Cold Storages

Installation of cooperative cold storages in different states is at various stages and of the 133 cooperative cold storages organised by the National Cooperative Development Corporation all over the country, 97 units have been installed till June 30 this year. Of the total capacity of 219,550 tonnes of the units organised, 153,350 tonnes was installed till that day.

Maharashtra, Nagaland, Punjab, Tamil Nadu, Chandigarh and NAFED (New Delhi) have installed all the cooperative cold storages organised in the states.

LIC Business

The Life Insurance Corporation of India has recorded an increase of 10.3 per cent in their individual business during the six months, from April to September 1976, over the corresponding period last year. Their business went up from Rs 616.33 crores to Rs 680.09 crores, including foreign business of Rs 6.92 crores. The number of policies also increased from 641,208 to 701,288 duridg this period. The southern zone with completed business of Rs 206.56 crores and 228,764 policies emerged on the top followed by the western zone with a business of Rs 165.6 crores and 178,255 policies. The eastern zone secured third position with a business of Rs 103.7 crores against 116,149 policies. The northern and the central zones with a business of Rs 98·61 crores each and 82,322 and 94,298 policies came next.

Names in the News

Mr Tulsidas Kilachand, an industrialist of Bombay died of heart attack in Atlanta, USA, recently. Mr Kilachand was chairman on Kilachand Devchand and Company, Synthetics and Chemicals Ltd, Kesari Sugar Works and the Assam Match Co. He was also vice-chairman and director of several other companies. Mr Kilachand was elected to to the Lok Sabha in 1952. He had served as a Governor of the Administrative Staff College of India and was President of the Federation of Indian Chambers of Commerce and Industry in 1950-51.

Mr D. C. Kothari has been elected president of the fourteen-nation confederation of Asian Chambers of Commerce at its recent meeting in Manila. Mr Kothari, a former President of FICCI, went to Manila as a member of a six-man FICCI delegation visiting the South East Asian countries. Mr Kothari, said the confederation would launch a campaign in Asia to buy Asian goods. The confederation was also considering a proposal to pool manpower in order to transfer technology among Asian countries since abundant technical knowhow was available in the region.

Mr Subramanian

Mr SRM. PL. Subramanian has been re-elected president of the All India Small Tool Manufacturers' Association.

COMPANY AFFAIRS

Glaxo

GLAXO LABORATORIES (India) Ltd has reported impressive improvements in its working results during the year ended June 30, 1976, production, sales, profits and margins all being appreciably higher than in 1974-75. The company has declared a higher dividend of 16 per cent for 1975-76, as against 14 per cent paid in the preceding year. Besides the board of directors has recommended capitalisation of Rs 3.60 crores from the share premium account, the capital reserve, and the general reserve, for issue of bonus shares in the ratio of one new equity share for the every two existing equity shares held.

Sales during the year spurted to Rs 48.12 crores from Rs 41.58 crores while gross profit too recorded a smart rise to Rs 5.52 crores from Rs 4.24 crores in 1974-75. The most striking aspect of the company's performance during the year is that the substantially improved results have been achieved by well balanced and coordinated activity in management, manufacture and marketing. The system of management by objectives adopted three years ago by the company is also now paying rich dividends. The overall favourable socio-economic climate also has given an added fillip to the in-company endeavours for achievement and growth.

Out of the gross profit, the directors have appropriated a sum of Rs 71.20 lakhs to depreciation reserve as against Rs 66.68 lakhs in 1974-75 while taxation absorbed Rs 275.00 lakhs as compared to Rs 209 70 lakhs in the earlier year. The net profit, after these allocations, was still higher at Rs 205.65 lakhs as against Rs 148.03 lakhs in 1974-75. After adjustments the disposable surplus amounted to Rs 209.23 lakhs. Out of this, Rs 12.00 lakhs was transferred to investment allowance reserve, Rs 74.00 lakhs to general reserve, and Rs 123.00 lakhs to general reserve 1976. The balance of Rs 23,491 has been carried forward to the next year's accounts.

Zuari Agro

The working of Zuari Agro Chemicals Ltd during the year ended June 30, 1976 has resulted in a net profit of Rs 2.63 crores after providing Rs 4.17 crores for depreciation. This, after writing off an amount of Rs 11.49 lakhs out of the preliminary and share issue expenses, providing Rs 5 23 lakhs as additional depreciation on vehicles short provided during the earlier years, and adding back Rs 36.30 lakhs being excess provision for catalyst reversed during the year, will enable the company to wipe off a major portion of the previous losses, leaving a balance of Rs 32.15 lakhs. This, together with the development rebate reserve of Rs 9.74 crores provided during the last two years, will be carried forward.

Even though the nitrogen production was maintained at a fairly high rate throughout the year, the financial results do not reflect its full impact because of the additional transport levy imposed by the government of India on the price of fuel oil and naphtha from July 14 and September 1, 1975, respectively as a result of Goa being denied the benefit of pricing point for fuel oil and naphtha from those dates. This, together with the increase of Rs 120 per kilolitre of fuel oil effected from December 1, 1975 have remained without corresponding relief practically throughout the year.

As a result of the persistent representations the government reduced the price of fuel oil by Rs 60 per kilolitre from June 1, 1976 and an additional Rs 60 per kilolitre by reducing excise duty, which became effective from July 5, 1976 in the case of the company. These reductions served to neutralise the effect of the last price hike from those dates. The additional cost for the transport of naphtha and fuel oil from Trombay to Goa still remains a burden on the company in spite of all its representations. However, in order to encourage increased production, the government of India has recently given a concession on excise duty, which in the case of the company works out to a reduction of 25 per cent on excise duty on despatches in excess of the average of the previous three years. The benefits will be reflected during the current year and the two subsequent years.

Ammonia plant maintained a steady production and achieved 84 per cent of the licensed capacity during the period under review in spite of certain constraints introduced by the changeover to Benfield process. Urea plant performed even better by achieving 3,11,236 tonnes production, representing over 91 per cent of its annual licensed capacity. NPK plant, however, lagged behind due to teething troubles. It is gratifying to note, however, that in spite of these problems the company was able to commence production of a new grade for the first time in the country. This product which has a 19:19:19 analysis is marketed under the trade name 'Sampurna' and has received a very good consumer response. With adequate availability of phosphoric acid now assured at competitive prices, the company's endeavour will be to maximize production of complexes to the extent possible.

Scindia Steam

Scindia Steam Navigation Co Ltd has reported satisfactory working results during the year ended June 30, 1976. Its total turnover during the year jumped to Rs 92.35 crores from Rs 89.83 crores in 1974-75. The gross profit earned during the year amounted to Rs 13.02 crores as against Rs 24.09 crores in the earlier year. Out of the gross profit, a sum of Rs 7.53 crores was transferred to depreciation reserve as against Rs 7.38 crores in the preceding year while taxation absorbed Rs 2.65 crores as against Rs 6.05 crores in 1974-75. The net profit after these allocations was still substantially lower at Rs 2.84 crores as against Rs 10.66 crores a year ago. A sum of Rs 71 lakhs was provided for investment allowance reserve as against Rs 2.00 crores allotted for development rebate reserve in the previous year, while an amount of Rs 20 lakhs—previous year Rs 1.10 crores—was appropriated to general reserve as the statutory reserve. With the balance brought forward amounting to Rs 2.93 crores and Rs 1.00 crore for development rebate reserve written back, the total amount available for disposal came to Rs 5.86 crores. The directors have recommended a dividend of Rs 3.00 per equity share. The proposed dividend will claim 2.03 crores. The remaining amount of Rs 3.83 crores has been carried forward to the next year's accounts. The board of directors has also decided to issue bonus shares in the ratio of two shares for every five shares held by capitalisation of reserves. The bonus issue, however, is subject to the consent of the Controller of Capital Issues.

Union Bank of India

The Union Bank of India has launched on October 16 a three-year plan for providing financial assistance of Rs 50.92 crores for overall development of Varanasi District in Uttar Pradesh.

Nearly 45 per cent of the total outlay, Rs 22.23 crores, has been allocated for activities under the new economic programme. The number of borrowal accounts in the district will increase from nearly 10,500 at present to over 1.10 lakhs in 1979 and nearly one lakh persons will be benefited. The plan will provide self-employment in priority sectors and over 34,000 additional hectares of land will be brought under irrigation. The bank assistance will cover a major portion of the 3,674 villages in all the 22 blocks in Varanasi district.

The programme involves formulation of area development schemes, extension of banking faciliities to unbanked areas, assistance to the priority and weaker sections of the society, and mobilisation of savings of the community. The plan contains specific schemes for farm and non-farm sectors, such as poultry, dairy, minor irrigation, weaving and small scale industries. With the implementation of these schemes the deployment of credit would considerably improve in the district.

Jaipur Metals and Electricals

After a few years of unprofitable working, Jaipur Metals and Electricals Ltd has staged a remarkable recovery during the year 1975-76, earning a pre-tax profit of Rs 44.16 lakhs as against a loss of Rs 42.62 lakhs in the previous year. Turnover has doubled from Rs 495 lakhs to Rs 984 lakhs.

The company had intensified its export efforts and the results have been rewarding. Quite recently, the company has secured a huge order from Sudan for conductors.

The fifth five-year Plan envisages a massive investment of Rs 7,294 crores for the power sector, a large portion of which will be utilised for distribution of power. There will, therefore, be an excellent demand for the company's products. The tempo of improvement can be seen from the working results during the current year. The value of production during the period April-July 1976 was Rs 317 lakhs and sales Rs 346 lakhs, as against Rs 223 lakhs and Rs 210 lakhs respectively during the corresponding period of the previous year which is 50 per cent more. If the present trend was maintained, the company will have yet another year of successful operations.

A comprehensive Plan with an envisaged investment of over Rs 1 crore, for modernisation and diversification of the plant, is on the anvil with the twin objectives of not only modernising the production facilities but also to meet the requirements for newer and sophisticated products. The opportunities in the metal line being greater, the main thrust for the company would be in development of newer items of alloys. This will also enable the company to take advantage of the gains made in the export market by introducing its more sophisticated products and alloys.

The energetic steps taken by the management to effect economy and improve productivity have already started to pay rich dividends. With the input of professional skills and

Department of Atomic Energy

On behalf of the President of India, the Director, Directorate of Purchase and Stores, Department of Atomic Energy, Bombay, invites tenders as detailed below:

(1) Tender No.: DPS/HWP/ENG/888 Due on 29-11-76. Fire Fighting Rubber Hose Pipe as per tender specification Qty: 60 Nos.

(2) DPS/HWP/ENG/889 Due on 29-11-76. Fabrication of Steel Boxes for Hose as per tender specification. Qty: 32 Nos.

(3) DPS/NFC/ENG/313 Due on 16 11-76. M.S. Impellers with FRP Coating as per drawing and tender documents—4 Nos.

(4) DPS/HWP/PPF/539 Due on 23-11-76. Supply of Carbon Steel Pipes conforming to ASTM A 106 Gr. B as per purchaser's tender specification.

(5) DPS/NAPP-PPED/ENG/69 Due on 24-11-76. Reforging of Air Hardening Tool Steel with Purchaser's raw material, as per drawing and tender specn Qty: 12 Nos.

(6) DPS/MAPP/ENG/77 Due on 25-11-76. Chilled Iron Shots, as per tender specification 50 M. Tons.

(7) DPS/BARC/PPF/2456 Due on 29-11-76. Supply of spirally wound crimped type stainless steel fin tubes made from grade 304/316 S.S. as per purchaser's tender specifications.

(8) DPS/BARC/PPF/2477 Due on 30-11-76. Supply of Bellows Sealed Stainless Steel right angle or Straight through valves as per purchaser's tender specification.

(9) DPS/HWP/PPF/546 Due on 1-12-76. Supply of Carbon Steel Fittings as per purchaser's tender specification.

(10) DPS/HWP/MIA/427 Due on 4-12-76. Chlorinator for cooling water, capacity of reservior 1800 M^3, Flow rate 200 M^3/hr. for continuous pumping at delivery side Qty. 1 Unit.

(11) DPS/BARC/PPF/2450 Due on 6-12-76. Supply of Thin Walled Seamless Maraging Steel tubes of extraordinary high precision and strength as per purchasers' tender specifications.

(12) DPS/NAPP/PPED/IEE/5 Due on 10-11-76. Design, manufacture, supply, guarantee and delivery of Snout Probe Rectilinear, Pot assembly and Dual Position Switch, as per purchaser's specification.

(13) DPS/HWP/PPF/537 Due on 25-11-76. Supply of Pneumatically operated Saunder's type diaphragm valves as per purchaser's tender specification.

(14) DPS/RRC/PPF/146 Due on 30-11-76. Supply of Stainless Steel Diaphragm Valves as per purchaser's tender specifications.

(15) DPS/HWP/PPF/542 Due on 29-11-76. Supply of Y-type and Basket type strainers for steam condensate, sodium sulphide solutions, H_2S solutions and fuel oil as per purchaser's tender specifications.

(16) DPS/NFC/PPF/90 Due on 3-12-76. Supply of Seamless Copper Tubes as per purchasers' tender specifications.

(17) DPS/HWP/PPF/547 Due on 7-12-76. Supply of Stainless Steel Fittings as per purchasers' tender specifications.

Tender documents priced Rs. 5/- each for items S.No. 1 & 2, Rs. 10/- each for items at S.No. 3 to 11, Rs. 15/- each for items at S.No. 12 to 14 and Rs. 20/- each for items at S.No. 15 to 17 and General conditions of contracts priced Re. 0.50p. can be had from the Finance and Accounts Officer, Department of Atomic Energy, Directorate of Purchase and Stores, 3rd Floor, Mohatta Building, Palton Road, Bombay-400001, between 10 a.m. to 1 p.m. on all working days except Saturdays. Import Licence will be provided except for item at S.No. 10 only if the items are not available indigenously. Tenders will be received upto 3 p.m. on the due date shown above and will be opened at 4 p.m. on the same day. The right is reserved to accept or reject lowest or any tenders in part or full without assigning any reasons.

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expertise and the availability of all other requisite resources, the company is poised to enter into a new era of progress and prosperity, if the need based financial support is made available to the company by its bankers and institutions.

News and Notes

The output of Tata commercial vehicles manufactured by the **Tata Engineering and Locomotive Company Limited** during the period July-September 1976 was of the order of 6346 units as compared to 6226 units produced during the corresponding period of last year.

Ballarpur Industries Ltd plans to set up a cent per cent export leather garments unit in Kashmir. The Rs 1.80-crore integrated leather factory will have a daily capacity of processing, finishing and tanning 4,000 sheepskin pieces, which are readily available in the state. The factory to be set up at Zainakote in Kashmir, is likely to be in production by 1978-end. The company's leather nnit, which has been cleared by the state government, is seeking foreign collaboration with either France or the USA. The collaborator is likely to provide not only technical know-how but guarantees to buy the production of leather garments. Ballarpur Industries Ltd is also planning to establish a Rs 40-lakh crystal glass project in Kashmir. Crystal glassware with 20 per cent lead oxide, which is at present not manufactured in the country, will be turned into tableware and decorative glassware mainly for export.

New Issues

Raunaq International Ltd entered the capital market recently with a public issue of 1,20,000 equity shares of Rs. 10 each at par. The company is a leading Export House recognised by the government of India and is a unit of Raunaq Enterprises, a well known Industrial House. Raunaq International has undertaken exports from the country in a big way. Its exports during last year exceeded Rs. 700 lakhs and is expected to increase Rs. 1,500 lakhs during 1976-77. The current year's performance is very encouraging and exports for the first 5 months ending September 1976 were above Rs 400 lakhs as compared to Rs 200 lakhs during the same period of last year. The company had declared a dividend of 15 per cent for the year 1975-76.

In recognition of its outstanding export performance, the company was awarded a Certificate of Export Recognition by the Engineering Export Promotion Council for the years 1969-70, 1970-71 and 1973-74. The company was also awarded a Certificate of Merit by the government of India for its excellent performance during 1973-74.

Raunaq International is emerging as a paramount Export House in the country and has successfully been exporting the world-over such diverse products as cast iron and mild steel products, hand tools, diesel engines, bicycles and bicycle parts, chemicals, fish and fish products etc. A network of nine branches including one each at London and Baghdad maintains constant touch with buyers in more than 60 countries. Other companies of the Raunaq Group viz Bharat Steel Tubes Ltd; Bharat Gears Ltd; Apollo Tubes Ltd; Apollo Tyres Ltd; which are well-known in the fields of steel tubes and pipes, automobile gears, automobile tyres and tubes are also availing the services of Raunaq International for promotion of their overseas marketing.

Capital and Bonus Issues

Consent has been granted to six companies to raise capital of over Rs 65.34 million. The details are as follows:

M/s The Gwalior Rayon Silk Mfg. (Wvg) Company Ltd, Nagda, Madhya Pradesh, have been accorded consent, valid for six months, to capitalise Rs 52.80 million out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for every two equity shares held.

M/s The Bombay Dyeing & Manufacturing Company Limited, Bombay, have been accorded consent, valid for six months to capitalise Rs 8,673,875 out of its general reserve and issue fully paid equity shares of Rs 25 each as bonus shares in the ratio of one bonus share for every five equity shares held.

M/s Nipha Machinery Manufacturers Private Limited, Calcutta, have been accorded consent, valid for six months, to capitalise Rs 200,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every two equity shares held.

M/s Agew Steel Manufacturers Private Ltd, Ahmedabad, have been accorded consent, valid for six months, to capitalise Rs 400,000 out of its general reserve and issue fully paid equity shards of Rs 100 each as bonus shares in the ratio of four bonus shares for every five equity shares held.

M/s Bhartia Electric Steel Company Limited, Calcutta, have been accorded consent, valid for six months, to capitalise Rs 3 million out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for every two equity shares held.

M/s Woodbriar Estate Limited, have been accorded consent valid for six months, to capitalise Rs 266,960 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for every one equity share held.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Investment Corpn. of India	June 30, 1976	15.0	11.0
Saurashtra Cement	June 30, 1976	20.0	12.0
Ahmedabad Electricity	March 31, 1976	12.5	10.0
British Paints	Dec. 31, 1975	17.5	5.0
Mysore Coffee	June 30, 1976	8·0	Nil
Same Dividend			
Greaves Cotton & Co.	June 30, 1976	12.0*	12.0
Southern Gas	March 31, 1976	15.00	15.0**
Reduced Dividend			
Scindia Steam	June 30, 1976	15.0£	24.0

*** In addition to one-for-two bonus issue. ** Relates to 18 months. £ A two-for-five bonus is also proposed.**

RECORDS AND STATISTICS

Wholesale prices

THE OFFICIAL wholesale prices index (base 1961-62=100) stood at 311.4 during the week ended October 2, 1976 as against 313.4 for the immediately preceding week and 307.8 for the corresponding week of the last year. Compared with the last week, the index was lower by 0.6 per cent. The decline in the price level in the week under review was largely accounted for by a fall in the prices of cereals, edible oils and oilseeds.

Food Articles

The index for "Food Articles" which stood at 344.5 was lower by 4.2 per cent compared with the corresponding week of the last year. Compared with the preceding week, the index was lower by 0.3 per cent due to a fall in the prices of cardamoms (—8 per cent), bananas (—6 per cent), barley (—5 per cent), eggs (—2 cent), and bajra, moong, urad, potatoes, oranges, groundnut oil, mustard oil, gur, black pepper and coffee (—1 per cent each). However, the prices of turmeric (+8 per cent), onions (+5 per cent), betelnuts (+4 per cent), fish (+3 per cent), arhar, gingelly oil and chillies (+2 per cent each) and ghee (+1 per cent) went up.

The index for "Liquor and Tobacco" group registered a fall of 1.3 per cent to 337.2 as compared to 341.6 for the earlier week due to a decline in the prices of raw tobacco (—3 per cent).

The index for "Fuel, Power, Light and Lubricants" group declined 370.9 to 370.8 due to

Index Numbers of Wholesale Prices by Groups & Sub-groups

(Base : 1961-62=100)

Group & Sub-group	Week ended 2-10-76	25-9-76 Provisional	4-9-76	7-8-76 Final	4-10-75
All Commodities	**311.4**	**313.4**	**313.4**	**308.5**	**307.8**
Food articles	**344.5**	**345.5**	**346.4**	**341.0**	**359.6**
Foodgrains	309.5	310.2	312.0	315.8	361.9
Cereals	304.5	305.5	307.8	311.3	346.4
Pulses	332.3	331.5	332.9	336.2	432.0
Fruits & vegetables	288.3	297.3	322.6	336.5	290.7
Milk & milk products	352.4	351.7	338.0	339.3	337.8
Edible oils	337.4	340.2	326.8	299.4	299.2
Fish, eggs & meat	649.5	638.8	659.0	655.9	632.0
Sugar & allied products	374.9	376.5	386.9	363.7	388.6
Others	303.2	304.9	305.2	300.6	323.0
Liquor & tobacco	**337.2**	**341.6**	**338.4**	**327.1**	**316.8**
Liquor	197.0	197.0	197.0	197.0	194.2
Tobacco	343.6	348.2	344.9	333.0	322.4
Fuel, power, light & lubricants	**370.8**	**370.9**	**370.7**	**370.9**	**355.9**
Coal	331.6	331.6	331.6	331.6	331.6
Coke	423.4	423.4	423.4	423.4	423.4
Mineral oils	422.5	422.5	422.5	422.5	408.8
Rectified spirit	1404.7	1404.7	1404.7	1404.7	547.2
Electricity	255.3	255.3	255.3	255.3	243.1
Castor oil	365.4	370.6	374.5	376.2	247.3
Industrial raw materials	**312.7**	**323.4**	**323.7**	**306.3**	**266.2**
Fibres	312.7	313.0	300.6	305.1	229.7
Oilseeds	339.6	363.3	373.2	329.5	302.2
Minerals	214.0	214.0	219.2	214.0	214.3
Others	268.2	269.8	270.5	271.0	257.9
Chemicals	**285.6**	**286.5**	**289.3**	**293.4**	**324.9**
Machinery & transport equipment	**258.0**	**258.3**	**258.2**	**258.4**	**262.2**
Electrical machinery	248.4	248.2	248.5	249.4	263.6
Non-electrical machinery	289.0	289.7	289.2	289.2	287.2
Transport equipment	210.8	210.8	210.9	210.8	215.9
Manufactures	**264.7**	**265.3**	**264.3**	**263.0**	**253.9**
Intermediate products	**334.2**	**335.2**	**332.6**	**331.7**	**305.1**
Textile yarn	257.5	259.8	254.2	254.0	210.1
Leather	320.2	320.1	313.3	313.3	285.6
Metals	419.1	419.1	419.7	419.5	412.4
Linseed oil	318.2	316.7	323.1	303.4	266.2
Finished products	**247.9**	**248.4**	**247.7**	**246.3**	**247.5**
Textiles	227.2	227.2	225.5	224.8	223.8
Metal products	301.6	301.6	301.6	301.6	299.5
Non-metallic products	306.6	307.1	309.4	309.7	280.7
Chemical products	266.2	266.2	265.4	265.3	260.3
Leather products (Shoes)	147.1	147.1	147.1	147.1	149.6
Rubber products	238.3	243.3	243.3	238.3	233.8
Paper products	219.8	219.8	219.8	219.8	230.2
Oil cakes	336.7	344.2	346.6	321.5	260.2
Miscellaneous products	174.0	174.0	174.0	174.0	174.5

Source : Office of the Economic Adviser, Dept. of Industrial Development.

a fall in the prices of castor oil (—1 per cent).

The index for "Industrial Raw Materials" which had shown a rising trend during the past few weeks, came down from 323.4 in the last week to 312.9, showing a fall of 3.3 per cent owing to a decline in the prices to groundnuts (—13 per cent), castorseed (—6 per cent), raw skins and rubber (—4 per cent each), cottonseed (—3 per cent) and raw jute and mesta gingelly seed and tanning materials (—1 per cent each). However, the prices of raw silk and raw hides (+1 per cent each) moved up.

The index for the "Chemicals" group stood at 285.6 as against 286.5 for the previous week. At this level, the group index registered a fall of 12.1 per cent when compared with the corresponding week of the last year.

"Machinery and Transport Equipment": the index for this group declined by —0.1 per cent to 258.0 as against 258.3 for the earlier week. At this level, the group showed a fall of —1.6 per cent as compared with the corresponding week of the last year.

"Manufactures" group comprising of (a) Intermediate Products and (b) Finished Products, receded by 0.2 per cent to 264.7 as against 265.3 for the last week.

(a) The index for "Intermediate Products" declined by 0.3 per cent to 334.2 as against 335.2 for the last week owing to a fall in the prices of cotton yarn (—1 per cent).

(b) The index for "Finished Products" receded by 0.2 per cent to 247.9 as against 248.4 for the previous week due to a fall in the prices of tyres and tubes (—3 per cent), oilcakes (—2 per cent) and toilet requisites (—1 per cent). The prices of essential oils (+2 per cent) however went up.

Money Supply with the Public

(Rs. crores)

Week ended	1975 Sep. 26	1976		Variations over				
		Sep. 17	Sep. 24	Week	Month	End April	End March	Year
Money Supply with the Public(A)	11,927	13,657	13,615	—42	91	565	937	1,688
Currency with the public	6,345	7,183	7,123	—60	68	108	390	778
Other deposits with the Reserve Bank	43	105	84	—21	—7	40	30	41
Bank money	5,539	6,369	6,408	39	30	417	517	869
Factors Affecting Money Supply								
Net bank credit to Govt. sector	10,432	10,583	10,561	—22	7	—189	527	129
Reserve Bank	7,205	6,678	6,650	—28	—153	—568	—55	—555
Other banks	3,227	3,905	3,911	6	160	379	582	684
Bank credit to commercial sector[1]	11,391	14,240	14,236	—4	72	692	941	2,845
Reserve Bank	600	819	822	3	35	108	101	222
Other banks	10,791	13,421	13,414	—7	37	584	840	2,623
Net foreign exchange assets of banking sector	369	1,659	1,672	13	118	845	594	1,303
Govt's net currency liabilities to the public	544	541	540	—1	—1	—13	—13	—4
Non-monetary liabilities of banking sector	10,809	13,366	13,394	28	105	770	1,112	2,585
Time deposits with banks	8,076	10,061	10,111	50	206	1,140	1,407	2,035
Net non-monetary liabilities of R.B.I.	2,091	2,546	2,516	—30	42	202	—54	425
Residual	642	759	767	8	—143	—572	—241	125
Aggregate Monetary Resources(B)	20,003	23,718	23,726	8	297	1,705	2,344	3,723

1. Includes public sector enterprises. B = A + Time deposits **Source :** Reserve Bank of India

Reserve Bank of India

(Rs. crores)

Week ended	1975 Oct. 3	1976 Sep. 24	1976 Oct. 1	Variations over Week	Variations over Month	Variations over Year
Notes in circulation:	6,198	6,943	7,019	76	94	821
Notes issued	6,217	6,970	7,058	88	120	841
Notes held in Banking Department	18	27	38	11	25	20
Deposits :						
Central & State Governments	66	69	61	—8	—9	—5
Scheduled Commercial Banks	540	840	853	13	161	313
Scheduled State Co-operative Banks	17	22	23	1	—2	6
Other Banks	2	3	3	—	1	1
Others	1,194	2,063	1,822	—241	—228	628
Other Liabilities	1,850	1,929	1,916	—13	12	66
Total Liabilities/Assets	9,868	11,868	11,699	—169	31	1,831
Foreign exchange assets	818	2,171	1,906	— 265	—190	1,088
Gold coin and bullion	183	183	183	—	—	—
Rupee securities	6,438	6,272	6,435	163	183	—3
Loans and advances:						
Central & State Governments	133	192	145	—47	—66	12
Scheduled Commercial Banks	153	870	901	31	306	748
State Co-operative Banks	429	341	349	8	33	—80
Others	431	611	605	—6	—1	174
Bills purchased and discounted:						
Commercial	81	155	145	—10	4	64
Treasury	756	252	211	—41	—249	—545
Investments	83	34	33	—1	5	—50
Others assets	363	788	786	—2	5	423

Scheduled Banks—Business in India

(Rs crores)

Week ended	All Scheduled Banks 1975 Oct. 3	All Scheduled Banks 1976 Sep. 24	All Scheduled Banks 1976 Oct. 1	Scheduled Commercial Banks 1975 Oct. 3	Scheduled Commercial Banks 1976 Sep. 24	Scheduled Commercial Banks 1976 Oct. 1
Aggregate Deposits	13,256	16,539	16,643	13,033	15,942	16,044
Demand	5,414	6,402	6,450	5,349	6,283	6,330
Time	7,842	10,137	10,194	7,684	9,659	9,714
Borrowings from Reserve Bank	580	1,207	1,244	153	870	901
Cash and balances with Reserve Bank	854	1,177	1,195	835	1,153	1,169
Cash	297	315	318	295	313	316
Balances	557	862	877	540	840	853
Investments		5,520	5,490		5,338	5,307
Government securities	3,216	3,917	3,857	3,118	3,812	3,752
Other approved securities		1,603	1,633		1,526	1,555
Bank Credit	9,471	12,585	12,787	9,220	11,724	11,923
Loans, cash-credits and overdrafts	7,806	9,864	10,051	7,556	9,003	9,186
Inland bills—purchased		951	1,127		951	1,127
discounted	1,311	1,304	1,139	1,310	1,304	1,139
Foreign bills—purchased		281	285		281	285
discounted	354	184	186	354	184	186
*Cash-Deposit Ratio	6.44	7.12	7.18	6.41	7.23	7.29
Investment-Deposit Ratio	24.26	33.38	32.99	23.92	33.48	33.08
Credit-Deposit Ratio	71.45	76.09	76.83	70.74	73.54	74.31

Source : Reserve Bank of India.

Consumer Price Index Numbers for Industrial Workers

(Base 1960 = 100)

Centre	1965-66	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976							
									Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.
All-India	—	177	186	192	207	250	317	313	298	290	286	289	290	291	297	298
Ahmedabad	130	169	176	181	198	245	305	293	281	273	268	273	269	269	276	279
Alwaye	145	197	198	202	215	267	346	358	333	318	322	325	313	321	326	318
Asansol	140	178	189	194	206	245	316	317	310	304	302	306	306	307	314	319
Bangalore	144	183	186	194	212	265	318	332	322	312	304	302	299	301	312	312
Bhavnagar	132	178	186	194	217	273	327	315	302	294	290	292	291	291	291	297
Bombay	130	175	182	190	203	233	289	300	292	288	286	291	290	294	298	294
Calcutta	131	172	182	187	197	228	288	287	277	271	276	286	288	293	296	293
Coimbatore	132	154	163	177	189	218	309	319	299	293	289	281	283	285	300	312
Delhi	136	185	199	211	222	265	337	333	325	326	324	323	320	324	328	334
Digboi	138	180	189	188	198	234	310	317	302	302	303	304	308	310	309	311
Gwalior	139	184	191	197	214	271	348	324	305	298	293	301	305	308	316	322
Howrah	137	176	186	191	206	239	298	290	281	276	277	283	286	286	291	285
Hyderabad	140	185	189	195	211	251	304	316	308	294	289	289	293	295	301	303
Jamshedpur	136	170	183	187	202	249	313	293	279	277	275	275	274	275	280	284
Madras	134	160	170	182	203	229	301	314	286	280	272	272	273	276	281	280
Madurai	128	162	183	192	206	236	334	333	301	295	280	280	284	287	291	293
Monghyr	151	188	205	204	225	292	263	325	311	303	299	290	289	292	313	317
Mundakayam	138	191	197	199	210	263	337	346	327	311	311	312	301	304	309	303
Nagpur	138	176	187	192	203	256	314	326	304	286	277	281	293	289	298	294
Saharanpur	141	181	186	198	213	253	338	313	304	301	293	304	300	299	303	297
Sholapur	128	176	185	198	216	277	325	342	324	301	291	300	303	288	291	306

Source Labour Bureau, Government of India.

Consumer Price Index Numbers for Urban Non-manual Employees

(Base 1960 = 100)

Centre	1965-66	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1975			1976			
									Apr.	Nov.	Dec.	Jan.	Feb.	Mar.	April
All-India	**132**	**167**	**174**	**180**	**192**	**221**	**270**	**277**	**278**	**280**	**276**	**271**	**267**	**265**	**267**
Bombay	132	162	168	172	183	204	241	246	245	250	246	243	241	242	248
Delhi-New Delhi	131	168	174	180	190	217	262	273	271	275	272	270	267	268	267
Calcutta	126	162	170	174	180	204	238	243	242	248	244	240	238	237	241
Madras	133	161	175	188	204	231	291	306	307	315	307	297	291	287	285
Hyderabad-Secuderabad	133	167	174	180	195	223	270	283	282	289	285	279	272	268	270
Bangalore	133	164	172	180	194	228	272	284	285	287	287	286	281	275	276
Lucknow	132	161	166	174	185	215	255	270	268	274	269	265	263	263	267
Ahmedabad	131	168	171	173	188	222	271	272	279	274	266	262	261	256	256
Jaipur	133	176	183	188	205	244	308	311	322	313	310	306	299	294	300
Patna	139	180	191	190	199	229	286	284	285	288	284	282	283	278	275
Srinagar	134	174	184	191	200	215	262	280	277	283	283	275	275	274	291
Trivandrum	131	172	178	184	198	231	280	297	295	300	304	300	294	293	295
Cuttack-Bhubaneswar	142	169	176	184	196	221	266	270	271	276	267	260	258	258	259
Bhopal	133	172	180	188	204	238	295	296	298	298	297	297	283	278	284
Chandigarh	129	171	178	183	194	217	265	278	280	280	280	276	276	277	278
Shillong	123	164	166	175	183	208	257	274	275	279	274	261	255	259	261

Source : Central Statistical Organisation.

EASTERN ECONOMIST

INDEX TO VOLUME 67

Nos. 1 TO 13

JULY TO SEPT. 1976

ABBREVIATIONS

Leading Article	LA
Point of View	PV
Capital's Corridors	CC
Window on the World	WW
Trade Winds	TW
Books Briefly	BB
Records and Statistics	RS
Reader's Roundtable	RR
Feature	FE
Supplement	ST
Interview	IW

(For Company Affairs see pages 874 & 878)

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A

Administration

Managing the Constitution .. LA 515
Civil Supplies for Mir Qasim TW 339
Constitution Amendment Bill, 1976 .. RS 547
Powers of Chief Labour Commissioner Reduced .. TW 339
Rules for Foreign Contributions .. TW 339

Aid, Loans and Grants

Assistance from UK .. TW 249, 431
Assistance from West Germany .. TW 39
Grant for Research on Semi-Arid Tropics .. TW 158
World Bank Aid for Telecom .. TW 158

Aviation

Aircraft Parking, Landing Fee Increased .. TW 631
Better Cargo Facilities .. TW 41
Indian Airlines .. TW 41
KLM Turns the Corner .. WW 470
Lufthansa is Fifty .. WW 99

Academicus .. BB 28, 282, 472
Agarwal, Dr. N.P. .. PV 612
Agarwala, Virendra .. PV 457
Aiyer, S. Krishna .. PV 372
Arne Linda .. WW 195

B

Banking, Money and Finance

ADB's Role in Pakistan's Economic Development .. WW 464
Advances Against Cotton and Kapas .. TW 156
Bank Credit, Problems of . TW 430
Bank Rate and Borrowing Rates .. LA 5
Bankers and Borrowers .. PV 525
Banks After Nationalisation .. LA 218
Bank's Cash Reserves Raised .. TW 481
Borrowing made Easy for Government .. LA 316
Cash Aid for Turnkey Projects .. TW 102
Coins with Development Designs .. TW 432
Commercial Banks in Unbanked Rural Areas .. RS 210
Consumption Credit for Poor .. TW 432
Credit Policy .. TW 587
Curbs on Dividends Go .. TW 101
Customer Service in Banks .. TW 431
Customs and Excise Advisory Council .. TW 629
Departmental Account with Banks .. TW 101
Deposit Insurance .. TW 102
Deposit Linked Insurance TW 202, 299
Development Finance Institutions Meet .. TW 41
Emerging World Monetary System, The .. WW 18
Exchange Release for Business Visits .. TW 388
Foreign Exchange Piles Up LA 74
Foreign Travel Scheme .. TW 203
French Bank Rate . TW 249
Funds and Their Proper Use LA 517
Gold and Its Glamour .. LA 319
Gold Sale by IMF .. TW 202
IDBI Restructuring Scheme TW 157
Impounded DA .. TW 202a
Incentives for Non-Resident Indians .. PV 270
India's International Investment Position in 1972-73 RS 395
Institutional Credit for Agriculture .. PV 323
Interest on Retained Additional DA .. TW 339
Management of Cash in Public Enterprises .. PV 568
Money Supply Is not the Villain .. LA 451
Money Supply with the Public .. RS 255, 440, 641
1976 Loans Become Repayable .. TW 536
No Credit for Tax Evaders .. TW 202b
Penal Rates of Interest .. RS 167
Public Sector Banks .. TW 588
Public Sector Banks, Restructuring Of .. TW 246
RBI and Its Strategy for Borrowings .. LA 408
RBI on Penal Interest Rates TW 103
RBI's Review of Economy and Banking Trends .. RS 595
Reserve Bank of India .. RS 255, 440, 641
Retreat from Dear Money: When? .. LA 220
Rising Exchange Reserves TW 302
Rural Banks and Agricultural Development. I .. PV 229
Rural Banks and Agricultural Development :II .. PV 271
Rural Financial Institutions TW 432
Scheduled Commercial Banks .. RS 255, 440, 641,
Security Prices, Index Numbers Of .. RS 254, 439, 640
State Loans .. TW 387, 481
Sweden and Stability in Exchange Rates .. WW 195
World Bank Meet .. TW 485
World Bank Operations at Record Level .. WW 621
Zambia Devalues Kwancha TW 202b

Books Briefly

Accumulated Deficits of Public Enterprises BB 28
Agricultural Manpower and Econlmic Development .. BB 28
Books Received .. BB 38, 290, 480
Changing Agrarian Relations in India .. BB 282
Co-operative Democracy in Action .. BB 28
Current International Economic Problems .. BB 37
Economic Cooperation between CMEA Countries and India BB 480
Economic Feasibility of An Asian Common Market .. BB 282
Economics of Hedging .. BB 472
Europe and the World .. BB 472
Financial Institutions of India .. BB 282
Human Resources Development Planning .. BB 28
Journey to the Mint Road and Other Essays in Monetary Economics .. BB 472
Losing Ground .. BB 28
Manorama Yearbook 1976 .. BB 289
Petro-Dollars BB 472
Productivity, Wages and Industrial Relations .. BB 282
Pulses—An Analysis of Demand and Supply in India 1951-71 .. BB 282
Readings in Kautilya's Arthasastra .. BB 36
Socialistic Pattern in India—An Assessment .. BB 37
Taxation of Agriculture in India .. BB 28
Textile Industry and Modernisation .. BB 472
The Bombay Chamber of Commerce and Industry—Directory of Members .. BB 290
The Economic Life of a Bengal District .. BB 282
Wage Structure and Labour Mobility in Local Labour Market .. BB 472

Buyer-Seller Meet in New York .. TW 632

Badal Alam Iqbal .. PV 419
Bajpai, R.K. .. RR 539
Ben D'Souza .. WW 276
Bhandari, Arvind .. WW 150, 278
Bhattacharya, Dr. S.N. .. PV 229, 271
Bijlani, S.K. PV 414
Birla, B.M. .. PV 610
Brook, E.B. .. WW 22, 145, 193, 330, 423, 532, 580

C

Collaborations

Expanding Economic Horizons for India and Iran .. WW 95
India-Sri Lanka Cooperation .. TW 632
Indo-American Collaboration . TW 155
Indo-French Cooperation .. TW 155
Indo-GDR Cooperation .. TW 102
Indo-US Workshop on Solar Energy .. TW 342
Joint Ventures Abroad .. RS 55
Telecom Ties .. TW 155

Company Affairs

Acquisition of Metal Corporation .. TW 340
Agro-Industries Corporations .. CC 9
Asian Statistical Institute .. WW 463
Automobile Batteries .. TW 484
Association of Consultancy Engineers .. TW 299
Balance Sheet of Decision Making .. PV 138
Bank of India's Performance .. CC 565
Bharat Refineries Officials Pay Freeze .. TW 339
BHC Granulation .. CC 135
BHEL Contract from IFFCO .. TW 538
Bitingual Teleprinter .. TW 429
Canadian Contract for Kudremukh .. TW 538
Cocoa Products and Beverages .. TW 631
Directors of Urban Improvement Co. .. TW 103
Donations to Political Parties .. TW 481
EPI Bags a Big Project .. TW 389
Haryana Tannery .. TW 484
IAAI's Breakthrough .. CC 224
IDBI Incentives for Small Units .. TW 202b, 340
IDBI Restrucurting Scheme .. TW 157
IFFCI to Issue Bonds .. TW 536
IFCO's Progress .. CC 80
Improved Kerosene Stove .. TW 538
Indian Airlines .. TW 41
Indian Iron Taken Over .. TW 202

Institute of Public Finance & Policy .. TW 203
ITDC Hotels, Exchange Earnings By .. TW 482
KLM Turns the Corner .. TW 470
Kudremukh Project, Progress Of .. TW 387
Leather Corporation .. TW 430
Lufthansa is Fifty .. WW 99
Management of Cash in Public Enterprises .. PV 568
MECON-NML Tie-Up .. CC 412
National Buildings Corporation .. TW 390
New Paint Developed by HEC .. TW 343
New Rules for Bonus Issues .. TW 299
NTC Towards Breaking Even .. CC 565
Oil India's Offer .. CC 412
Packaged Commodities ... TW 430
PEC's Performance .. CC 522
Porous Mass Plant at Allahabad .. TW 203
Punjab Seed Corporation .. TW 485
R & D and Export Effort of ITI .. ST xxxi (Aug 20)
Safety Award for Nangal Unit .. TW 342
Sipcot Tomorrow and the Day After .. LA 263
Tanzanian Contract for NSIC TW 630
TDA Takes on New Challenges .. LA 132
Wagon Units Nationalised.. TW 39

Company Meetings

Dunlop India Ltd. .. 48
Haryana Financial Corporation . 118
Hindustan Lever Ltd , ... 109
Indian Sugar Mills Association .. 504
ITC Ltd. .. 636
Madras Aluminium Co. Ltd. .. 45
Mahindra Ugine Steel Co. Ltd. .. 114
South India Viscose Ltd. . 53
Stewarts and Lloyds of India Ltd. .. 543
Sundaram Finance Ltd. .. 113
The Britannia Biscuit Co. Ltd. .. 554
The British India Corporation Ltd. .. 107
The Tata Iron and Steel Co. Ltd. .. 163
Trade Development Authority .. 46a
Consumer Cooperatives Meet .. TW 631

Chattopadhyaya, Prof. D.P. PV 226
Chopra, S.P. .. WW 99, 470
Chopra, S.P. .. FE 291
Chopra, S.P. .. ST (i) (Aug. 20)
Chopra, S.P. .. BB 480
Christian Lutz .. WW 533

D

Delegation

Delegation for Australia and New Zealand .. TW 589
Trade Mission for Poland .. TW 589

Desai, Dr. V.V. .. PV 82
Devaraj Urs, D. .. ST xxxvii (Aug 20)

Dhawan, B.D. .. PV 528
Dutta, Dr. Amar Nath .. WW 584

E

Economy

A Year of Achievements in Delhi .. ST xlv (Aug. 20)
Accord on Cauvery Waters.. LA 447
All Is Well, But... .. LA 603
Balance-Sheet of Decision Making .. PV 138
Bilingual Teleprinter .. TW 429
Brain Drain in Reverse .. TW 389
Building Materials from Wastes .. TW 301
Cash Aid for Turnkey Projects .. TW 102
Corporate Sector, The .. TW 247
Expenditure on R & D .. TW 248
G.D Birla Forecasts Hopeful Times .. TW 589
Growth Outlook for the World Economy .. WW 533
Guidelines for Science and Technology .. TW 300
Incentives for Non-Resident Indians .. PV 270
Increase Production and Banish Poverty .. PV 610
Karnataka: A Profile of Growth .. ST xxxvii (Aug. 20)

Kerala: Extensive Progress in Five Years .. PV 416
Man, Mars and the Marvels of Science .. LA 217
New Challenges for Consultants, The .. LA 366
Onward March .. ST i (Aug. 20)
Rajasthan's Economy, Upsurge In .. ST xliii(Aug. 20)
RBI's Review of Economy and Banking Trends .. RS 595
Regional Corporation . TW 301
Rural Marketing . PV 186
Special Assistance to Technical Institutions .. TW 342
Technical Development Fund TW 299
The Himalaya; Its Hidden Treasures .. PV 576
Transfer of Technology .. TW 249
UP's March Towards Plenty and Prosperity .. ST xlvi (Agu. 20)
Urbanisation in Rajasthan .. PV 459
Viking II . TW 537
Water Supply and Sewerage Schemes .. TW 247
World Bank for Better Calcutta .. LA 367

Exhibitions and Fairs

Brno International Fair .. TW 41
Eighth National Book Fair.. TW 430
International Food Products Exhibition .. TW 41
Leipzig Autum Fair .. TW 246
Men's Fashion Week in Cologne .. TW 631
Swiss National Fair .. TW 41

Exports

A Blue Print for Exports .. LA 73
Buoyancy in Engineering Exports .. LA 449
Earnings from Meat .. TW 156
Engineering and Consultancy Exports .. CC 453
Engineering Export Prospects .. TW 589
Engineering Exports .. CC 412
Engineering Exports .. TW 102
Essential Drugs, Export of.. TW 483
Export and Production Perspective : 1980-81 .. RS 121
Export of Shrimps to USA... TW 249
Export Prospects in Eastern India .. LA 516
Export Strategy for Growth ST iii (Aug. 20)
Exports: Brighter Days Ahead .. PV 226
Exports During 1975-76 .. TW 101
Exports Looking Ahead .. ST (vii (Aug.20)
Heavy Equipment for Czechoslovakia .. TW 482
Increase in Exports .. TW 202
Iron Ore to Japan .. TW 202a
ITDC Hotels, Exchange Earnings By .. TW 482
Making Export Assistance Attractive .. LA 175
MMTC Exports .. TW 343
Non-Ferrous Metals, Export of .. TW 300
Opium Exports TW 156
Overseas Demand for Indian Meat .. TW 431
Refrigerators, Export of .. TW 203
Seepz Exports .. TW 155
Silver Export .. TW 481
Wire Products Exports .. TW 301
Woollen Carpets, Export of TW 538
World Demand and India's Share in Engineering Exports .. RS 507

Eckholm, Erik P. .. WW 93
Emile Van Lennep .. WW 240

F

Family Planning

Family Planning in Iran .. TW 342

Feature

A Feature on Vanaspati 291-298 .. FE (August 6)

Fertilizers

FCI and Its Plan for Expansion .. ST xxix (Aug. 20)
Fertiliser Consumption .. CC 412
Fertiliser Consumption and Production Trends .. CC 522
Fertiliser Output .. TW 202b
Fertiliser Production .. TW 483
Role of Fertilizers in Agricultural Development .. PV 616

Food and Agriculture

Agricultural Credit .. PV 82
Crackdown on Oils Market FE 292
Development of Tubewell Irrigation in India .. PV 528
Farm Mechanisation and Labour Use .. PV 455
Farmers and Their Credit Needs .. PV 181
Fishing in Stagnant Waters LA 222
Food Outlook .. CC 522
Good Seeds, Good Crop .. ST ii (Aug. 20)
Institutional Credit for Agriculture .. PV 323
Mounting Food Stocks, The LA 562
National Plan for Edible Oils .. CC 266
National Plan for Oilseeds.. LA 410
Problems of Storing Foodgrains, The .. LA 174
Programme for Fodder .. TW 302
Role of Fertilizers in Agricultural Development .. PV 616
Tamil Nadu Small Farmers Debt .. TW 299
World Food Security System .. WW 150

G

Grover, Yagdish L. .. PV 186
Gupta, Raj Narain .. WW 95

H

Henry R. Cassier .. WW 380

I

Imports

Awards for Import Substitution .. TW 40
Exchange for Input Imports TW 538
Import Liberalisation .. CC 453
Import of Capital Goods .. TW 631
Import of Computer Systems .. CC 135
Import of Edible Oils .. TW 155
Import Policy and the New Pile of Foreign Exchange LA 364
Import Policy Liberalisation .. CC 522
Need for Liberal Machinery Imports .. LA 604
Skimmed Milk Powder from EEC .. TW 343
Suggestions on Import Policy ... TW 429

Industry

AIEI Survey .. CC 565
Cement for Indians Abroad .. TW 301
Coir Industry—Problems and Prospects .. PV 372
Constuction Equpment, Sad Plight of .. PV 140
Credit Policy .. TW 587
Delicensing of Industries .. CC 453
Excise Relief for Paper .. TW 299
Formulation of Pesticides.. TW 246
IDBI Incentives for Small Units .. TW 202b, 340
Industrial Capacities, Fuller Utilisation Of .. CC 565
Industrial Consultancy Centre .. TW 389
Industrial Location, Guidelines On .. TW 431
Industrial Output .. CC 9
Industrial Production During 1975-76 .. RS 307
Industries in Public and Private Sectors .. TW 484
Industry: On the Threshold of a Boom? .. LA 261
Leather Industry .. TW 300
Logistics of Location .. LA 134
Money for Modernisation .. LA 4
Monitoring of Industrial Growth .. TW 481
New Industries in West Bengal .. LA 264
New Projects .. CC 9
Nuclear Industries in Czechoslovakia .. WW 337
Output of Public Undertakings .. TW 631
Prevention is Better than Cure .. LA 315
Public Sector .. TW 202b
Pumps, International Seminar On .. TW 389
Refrigeration and Airconditioning Industry .. ST xv (Aug. 20)
Relief for Textile Mills .. TW 300
Rising Costs and Prices .. LA 130
Role of Small Industry in the New Economic Programmes .. RS 354
Small-scale Industries' Claim to Distinction .. LA 363
Soda Ash Capacity .. TW 587
Special Assistance to Technical Institutions .. TW 342
Stress on Modernisation .. TW 387
Textile Excise Relief .. TW 587
Tin Container Units .. TW 101
Towards Self-reliance .. PV 379
TV Industry, Panel On .. TW 340
Unorganised Industries, Economic Census In .. TW 629
Urban Land for Industry .. TW 632
Vacant Lands for Industrial Purposes .. TW 589
Vanaspati Price Stabilised .. TW 429
Woes of Vanaspati Industry FE 291
Wool: Three Bags Half-Full LA 7
Woollen Fabrics, Tariff Value On TW 537

Insurance

General Insurance .. TW 388
LIC Investments in July .. TW 432
LIC Invests in Social Projects .. TW 630
Three New LIC Policies .. TW 536
Two Decades of LIC .. LA 519

International Affairs

A Bouquet of Facts .. WW 581
A Bumpy Ride to World Prosperity .. WW 584
A New Industrial Society in Western Europe .. WW 330
ADB's Role in Pakistan's Economic Development.. WW 464
Aggressive Economic Growth Ahead .. WW 22
Asian Statistical Institute .. WW 463
Clarion Call from Colombo LA 407
East European Economies Continue to Borrow from the West .. WW 193
Economic Forecasting .. WW 142
Education in Japan .. WW 426
Emerging World Monetary System, The .. WW 18
Enough Is Enough .. WW 236
Europe on Way to Recovery WW 145
Expanding Economic Horizons for India and Iran .. WW 95
Federal Republic of Germany: Growth Without Inflation .. WW 625
Greece Looks Towards Europe .. LA 331
Growth Outlook for World Economy .. WW 533
Happy New Thousand Years WW 189
Indonesia and the Oil Boom .. WW 278
Indo-Pak Amity .. TW 246
Indo-Soviet Treaty, Five Years Of .. WW 280
Industrial Countries and the Flow of Capital .. WW 383
Intermediate Technology .. WW 277
International Pharmaceutical Meet .. TW 430
Is Climate Out of Joint? .. WW 580
KLM Turns the Corner .. WW 470
Lufthansa is Fifty .. WW 99
Man Mars and the Marvels of Science .. LA 217
New OPEC Approach .. WW 238
Non-aligned Newspool .. LA 129
Non-aligned Newspool .. RS 208
Norway Is Satisfied with the "Snake" .. WW 467
Nuclear Industries in Czechoslovakia .. WW 337
Other Energy Crisis, The .. WW 93
Out in the Cold .. WW 276
Paths to International Cooperation .. WW 240
Puerto Rico Summit .. TW 103
See-saw in South Korean Shipbuilding .. WW 427
Seychelles Is a Republic .. WW 97
Sick Economy of Sri Lanka WW 335
"Snake" in a Fever, The .. WW 423
Stemming the Exodus .. WW 380
Sweden and Stability in Exchange Rates .. WW 195
To Choose a Future .. WW 146
Towards Self-Reliance .. PV 379
Water: Vital Resource for Life .. WW 424
Weather and Its Whims .. WW 532
World Bank Meet .. TW 485
World Bank Operations at Record Level .. WW 621
World Energy Economy, Growth Of . WW 381
World Food Security Systems .. WW 150

Interview

Interview: Vinod Parikh—A Challenge Every Day in STC .. IW 24 (July 2)
Interview: Dr. N.B. Prasad—Technology Keeps Advancing All the Time .. IW 152 (July 16)
Interview: H P. Nanda—Wanted: Market Surveys for Measuring Size of the Market . IW 198 (July 23)
Interview: Bansi Dhar—No Shortage of Vanaspati IW 287 (Aug. 6)

Iron and Steel

Outlook for Steel, The .. LA 560
R & D in Steel Industry . TW 388
World Steel Output .. TW 302

J

Jute

Drift in Jute .. LA 219
Jute Pact with EEC .. TW 102
No Takeover of Jute Mill .. TW 202a
Role of Research in Jute .. LA 563
Takeover in Jute .. LA 409

Jain, M.L. .. PV 140
Jean-Louis Emmenegger .. WW 331
Jimmey Carter .. LA 173
Johannes Witteveen, H. .. WW 18
Joshi, Harideo .. SL xliii (Aug 20)

K

Kehal, H.S. .. PV 322
Kevy .. BB 36
Khan, Qutab Uddin .. PV 616
Knut Getz Wold .. WW 467
Koptevsky, V.N. .. WW 280
Korneev, L.V. .. PV 379

L

Labour and Employment

Educated Unemployed .. RR 539
Labour Situation at a Glance RS 442
Need for Employment-Oriented Growth .. PV 457
Unemployed among the Educated—Why? .. PV 321
Workers' Participation in Industry .. PV 414
Worker's Participation in Public Sector TW 202a

Leading Articles

A Blueprint for Exports ..	LA	73
Accord Over Cauvery Waters ..	LA	447
All Is Well, But.... ..	LA	603
Bank Rate and Borrowing Rates ..	LA	5
Banks After Nationalisation ..	LA	218
Borrowing Made Easy for Government ..	LA	316
Buoyancy in Engineering Exports ..	LA	449
Changing the Constitution ..	LA	515
Clarion Call from Colombo	LA	407
Driftin Jute ..	LA	219
Experts Prospects in Eastern India ..	LA	516
Fishing in Stagnant Waters	LA	222
Foreign Exchange Piles Up	LA	74
Funds and Their Proper Use ..	LA	517
Gold and Its Glamour ..	LA	319
Holding the Price Line ..	LA	176
Import Policy and the New Pile of Foreign Exchange	LA	364
Industry: On Threshold of a Boom? .	LA	261
Jimmy Carter ..	LA	173
Jute, The Role of Research In .	LA	563
Logistics of Location ..	LA	134
Making Export Assistance Attractive ..	LA	175
Man, Mars and the Marvels of Science ..	LA	217
Mao Tse-tung .	LA	559
Money for Modernisation .	LA	4
Money Supply Is not the Villain ..	LA	451
Mounting Food Stocks, The	LA	562
National Plan for Oilseeds ..	LA	410
Need for Liberalised Machinery Imports ..	LA	604
New Challenges for Consultants, The ..	LA	366
New Industries in West Bengal .	LA	264
Non-Aligned Newspool ..	LA	129
Non-Tariff Barriers ..	LA	448
Outlook for Steel, The ..	LA	560
Plantations Raise Export Earnings ..	LA	605
Policy for Sugar Export ..	LA	317
Power Projects and Their Implementation ..	LA	262
Prevention Is Better Than Cure ..	LA	315
Railways: Room for Improvement ..	LA	77
RBI and Its Strategy for Borrowings ..	LA	408
Retreat from Dear Money: When? ..	LA	220
Rewriting the Fifth Plan ..	LA	3
Rising Costs and Prices ..	LA	130
SIPCOT Tomorrow and the Day After ..	LA	263
Small-Scale Industries Claim to Distinction ..	LA	363
Storing Foodgrans, The Problems of ..	LA	174
Take-over in Jute ..	LA	409
Tea Prices and Prospects ..	LA	76
TD's Takes on New Challenges ..	LA	132
Two Decades of LIC ..	LA	519
Wool: Three Bags Half-full ..	LA	7
World Bank for Better Calcutta ..	LA	367

M

Minerals and Metals

Coal for Thermal Stations	TW	536
Coal Production and Productivity ..	TW	589
Cost of Power and Fuel in Aluminium Industry ..	PV	612
Mineral Reserves in Himalayas ..	CC	608
Montreal Olympics ..	TW	300
Mahmood, Aslam ..	PV	616
Mao Tse-tung ..	LA	559
Mariano Gurfinkel ..	WW	238
Mehta, Vinod ..	WW	335
Menon, C. Achutha ..	PV	416
Miller, J. G. ..	WW	463
Mishra, Dr. R.K. ..	PV	568
Modi, K.N. ..	ST	iii (Aug 20)
Mukherjee, Dhurjati ..	PV	576

N

Names in the News ..	TW	41, 103, 158, 203, 302, 343, 432, 485 539, 590, 632
Nadkarni, Dr. M.S. ..	ST	xvii (Aug 20)
Nambiar, K.K G. ..	PV	321
Nigam, Dr. R S. ..	PV	15
Nirmal Nibedon ..	WW	427

O

Oil

Changing Oil Scene in India, The ..	ST	xvii (Aug 20)
Damle Committees' Report	CC	369
Expansion of Bombay High	TW	246
Iran and Oil Embargo ..	TW	632
Oil Exploration ..	CC	80, 369, 608
Oil Exploration: India and Sri Lanka Cooperation ..	TW	629
Oilin Bassein ..	TW	483
Oil India's Offer ..	CC	412
Oil Prospects Brighter ..	TW	341
ONGC Contract for Burmah Engineering ..	TW	483
Onshore Drilling ..	TW	483
Restructuring of Oil Industry ..	CC	135
Royalty on Indigenous Crude	TW	587

P

Planning

Challenge for Manpower Planning ..	PV	322
Fifth Plan Revised Outlays and Targets ..	CC	608
Planning Today ..	PV	11
Rewriting the Fifth Plan ..	LA	3

Plantations

Plantations Raise Export Earnings ..	LA	605
Tea: Outlook for Export ..	PV	419
Tea Prices and Prospects ..	LA	76

Power

Energy Policy ..	CC	266
New Power Schemes ..	TW	630
Power and Transmission Schemes ..	TW	483
Power Outlook ..	CC	224
Power Projects and Their Implementation ..	LA	262

Prices

Convern Over Price Level ..	CC	179
Consumer price Index Numbers for Industrial Workers ..	RS	256, 441, 64
Consumer Price Index Numbers for Urban Non-Manual Empllyees ..	RS	256, 441, 64
Holding the Price Line ..	LA	17
Price Policy ..	CC	36
Stable Prices of Consumer Goods ..	TW	537
Vanaspati Price Decontrol—Its Effect on Eastern Zone	FE	294
Wholesale Prices ..	RS	253, 438, 639

Prospectus

The Industrial Credit and Investment Corporation of India Ltd. ..		578
Pata 1978 Meet in Delhi ..	TW	103
Pata Conference ..	TW	431
Paul Harrison ..	WW	277
Peter Adamson ..	WW	189
Pichholiya, K.R. ..	PV	459
Prasad, Madhava ..	ST	xiii (Aug 20)
Punj, Virendra P. ..	ST	xv (Aug 20)
Puri, K R. ..	PV	525

R

Radha Raman ..	ST	xlv (Aug 20)
Raju, M.S. ..	ST	xxxi (Aug 20)
Rakesh, O S. ..	ST	il (Aug 20)
Ramanujam, K S. ..	WW	97
Rao, N. Desinga ..	PV	323
Reddy, Amulya Kumar N...	WW	146
Rele, Subhash J. ..	PV	270
Robert H. Byrnes	WW	464
Roy, Sankarsan	PV	576

S

Sugar

Basic Excise Duty on Levy Sugar ..	TW	340
Minimum Cane Price ..	TW	629
Policy for Sugar Export ..	LA	317
Prices of Levy Sugar Refixed ..	TW	340
Sugar Capacity Expansion ..	CC	135
Sugar for Free-Sale ..	TW	41
Sugar: Increased Output for Rising Exports ..	SR	xiii (Aug. 20)
Sugar Output ..	TW	158, 342, 590
Sugar Productivity ..	TW	387

Supplement

An Independence Day Supplement ..	ST	i-l (Aug 20)
Sankar Ghose ..	PV	11
Sarma, B. Canapathy ..	BB	289
Sharma, K C. ..	ST	xxix (Aug 20)
Sharma, R.K. ..	PV	181
Singh, Raunaq ..	ST	vii (Aug 20)
Srivastava, Dr. Girish K. ..	PV	138
Subbarao, Dr. K. ..	PV	15
Swaminathan, J. ..	PV	579

T

Taxation

Committee on Indirect Taxes	TW	247
Direct Taxes Collection ..	TW	247
Direct Taxes Increase ..	TW	430
Double Taxation Agreement with UK ..	TW	202a

Trade

A Blueprint for Exports ..	LA	73
EEC Concessions for Third World ..	TW	202a
EEC Tobacco Quota ..	TW	249

xternal Trade Trends .. CC 608
ndo-Nepal Talks on Trade and Transit .. TW 156
ndo-Pakistan Trade .. CC 9
lon-tariff Barriers .. LA 448
rade with Australia .. TW 343
JS-Soviet Trade and Payments .. TW 343

Transport

erial Surveys for Better Highways .. TW 432
uel Economy in Railways TW 302
ndo-Pak Rail Link .. TW 102
ndo-Soviet Shipping .. TW 249
Railway Traffic Trends .. CC 266, 453
Railways: Room for Improvement .. LA 77
ee-saw Success in South Korean Shipbuilding .. WW 427
Tantia, V.N. .. FF 294
Tewari, S.C. .. PV 181
Tiwari, Narayan Datt .. ST xlvi (Aug 20)

U

Ummat, Ashok Kumar .. BB 37
Ummat, R.C. .. FE 292
Ummat, R.C. .. CC 9, 80, 135, 179, 224, 266, 369, 412, 453, 522, 565, 608

V

Viking II TW 537
Verma, Dr. R.C. PV 455

Company Affairs

A

Agricultural Refinance & Development Corporation .. 542
American Express .. 346
Asian Development Bank .. 635

B

Ballarpur Industries .. 161
Bally Jute .. 495
Bank of Baroda .. 497, 635
Bank of India .. 633
Bank of Maharashtra .. 391
Bank of Rajasthan .. 495
Birla Cotton .. 591
Birla Jute .. 633
Blue Star .. 206
Boehringer-Knoll .. 392
Boots (India) .. 206
Britannia Biscuit .. 391
British India Corporation .. 159
Brooke Bond .. 43

C

Calcutta Electric Supply Corporation .. 305
Calico .. 541
Capital and Bonus Issues .. 161, 207, 252, 306, 347, 394, 542, 594, 635.
Carbonates (India) .. 394
Cement Corpn. of India 347
Central Bank of India .. 205
Century .. 43, 392
Chloride India .. 305
Cimmco .. 540
Crompton Greaves .. 393

D

Dalmia Cements .. 42
Dividends .. 44, 106, 162, 207, 252, 306, 348, 394, 437, 497, 542, 594, 635
Dunlop India .. 104

E

Electronic Corporation of India .. 497
Electronics Trade & Technology Development Corporation .. 497
English Electric .. 250
Escorts .. 42, 305

F

Fibreglass Pilkington .. 496

G

Garware Nylons .. 593
Government Electric Factory 251
Greaves Lombardini 437
Guest Keen Williams .. 206
Gujarat Alkalies and Chemicals .. 593
Gujarat Export Corporation 251
Gujarat Industrial Investment Corporation .. 305, 541
Gujarat State Fertilizers .. 304
Gwalior Rayons .. 104

H

Harig India .. 43
Haryana Financial Corpn... 105
Heavy Engineering Corporation .. 305, 436
Hindustan Everest Tools .. 435
Hoechst Dyes and Chemicals 205
Hyderabad Asbestos .. 633

I

ICICI .. 634
IDBI .. 251
IHI .. 251
India Cements .. 633
Indian Cable .. 305
Indian Dyestuff .. 303
Indian Hotels .. 43
Industrial Development Bank of India .. 347
Instrumentation Ltd. .. 347
International Tractor Co. of India .. 393
Irano-Hind Shipping Co. .. 435
ITC .. 303, 634

J

Jammu and Kashmir Minerals .. 44
Jaya Shree Textiles .. 159
Jessops and Co. .. 44
Jyoti Ltd., Baroda .. 392

K

Kalasa Tea .. 540
Karnataka State Financial Corpn. .. 159
Karur Vysya Bank .. 250
Kothari (Madras) .. 161
Kalkarni-Black & Decker .. 594
Kunal Engineering .. 346

L

Lakshmi Mills .. 344
Larsen & Toubro .. 206, 303, 305, 496
Licences and Letters of Intent .. 349, 498

M

Madhya Pradesh Financial Corporation .. 206
Madras Aluminium .. 104
Mahindra Ugine .. 160
Modi Industries .. 43
Mohan Meakin .. 592
Mohan Ortmann Herbest 206
Morarjee Goculdas .. 540
Motor Industries Company .. 250, 436
Mysore Cements .. 104, 591

N

Nagarjuna Steel .. 44
Nagpal Stainless Steels .. 251
Narendra Explosives .. 305
National Alliance of Young Entrepreneurs .. 347
National Machinery Manufactuers .. 106
New Bank of India .. 344
New Guidelines for Issue of Rights .. 435
New Registrations .. 44, 207, 306, 437, 497
Nirlon Synthetic .. 250
Nocil .. 159

R

Rajasthan Financial Corporation .. 44, 161, 347, 594
Ramon and Demm .. 592
Remington Rand .. 434
Rourkela Steel .. 106

S

Seshasayee Industries .. 392
Seshasayee Paper .. 592
Shimoga Steels .. 347
Simco Meters .. 592
South India Viscose .. 105
State Bank of India .. 392
State Trading Corpn. of India .. 541
Stewarts and Lloyds .. 344, 592
Stormac India .. 497
Sundaram Finance 42
Syndicate Bank .. 250, 305, 540

T

Tata Chemicals .. 305
Tata Oil Mills .. 434
TDA .. 105
Telco .. 161
Texmaco-WBIDC Tie-up 304
Tisco .. 42, 205
Transformers and Electricals .. 635

U

Unit Trust .. 106, 161
United Asian Bank Berhad 495
United Commercial Bank 434
Usha Atlas Hydraulic Equipment .. 206

V

Voltas .. 206

W

Warner Hindustan .. 205, 434
Wellman Incandescent .. 250

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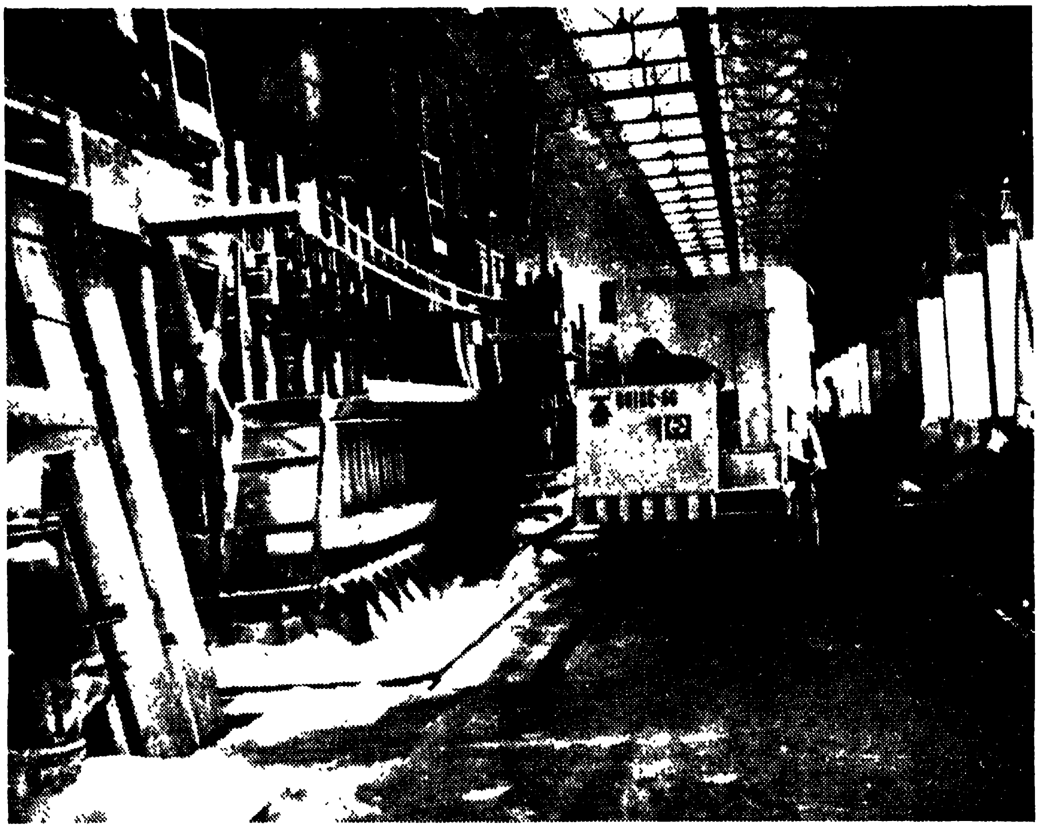

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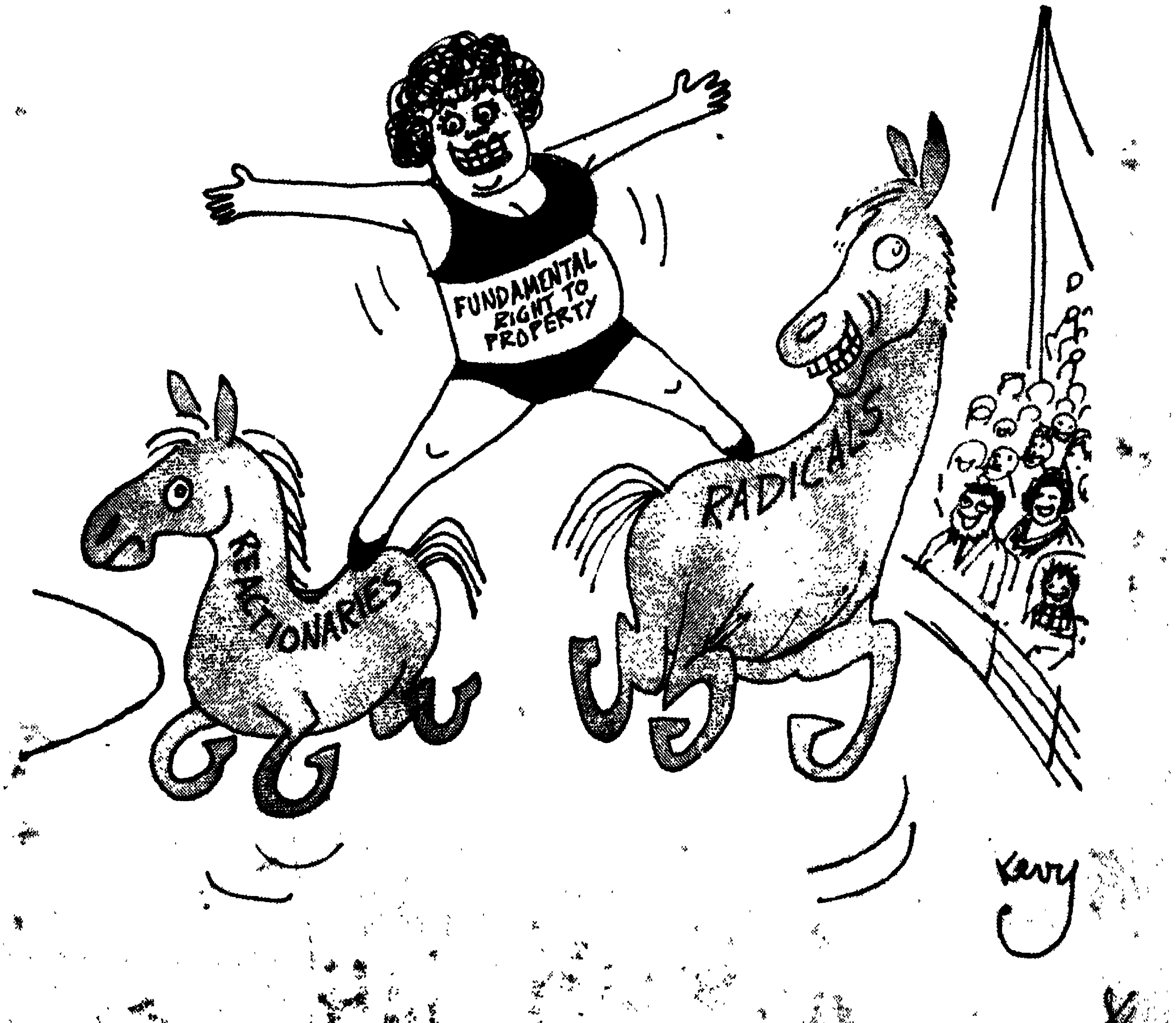

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VOL. 67 NO. 19 NOV. 5, 1976
Price Rupees Two

Leading Articles

Peanut Farmer Wins 883
Taxes as Businessmen See Them 884
Direction of India's Exports 885
Rupee and Its Rising External Value 886
Capital's Corridors 888

Point of View

Fund Flow Analysis of IDBI
--D. K. Kotia 890
Small-Scale Farming in Tribal Areas
—J. P. Bhati 893

Window on the World

Is It Time for Introspection ?
—E. B. Brook 899
British Policy Towards Immigrants
—Harold Hutchinson 900
Foundations of Growth in Philippines
—IMF Survey 901

Books Briefly

Problems of Plan Administration
—Academicus 905
Books Received 913
Trade Winds
Lok Sabha Extended by a Year; Industrial Production; Standardisation of Electrical Goods; Improved Reinforced Concrete; Import of Machinery; Forward Purchase of Currencies; Indo-Bulgarian Cooperation; Indian Coal Abroad; Pound Drops Further; UK Grant for Gujarat Project; India-Lesotho Cooperation; Sri Lanka Rupee Upvalued; Assistance from Canada; World Bank Loan for Bombay Transport; Reserve Bank Studies; Cotton Corporation; Cooperative Consumption Credit; Names in the News 914-918
Company Affairs
Morarjee Goculdas; Larsen & Toubro; Investment Corporation; Mysore Minerals; Unit Trust; News & Notes; New Issues; Capital and Bonus Issues; Dividends; Licences and Letters of Intent 919-927
Records and Statistics
FICCI Background Paper on Indirect Taxation 928

Peanut farmer wins

THE DEMOCRATIC candidate Jimmy Carter who was once a peanut farmer has won the US presidential election. President Ford has failed to produce the biggest surprise of the current century as promised by him during the election campaign though it goes to his credit that on the eve of the election he recovered so much lost ground that the pollsters were obliged to acknowledge that it was a neck-and-neck race between the two candidates.

It was rare that an incumbent President in the USA lost the presidential election, especially if the economy was showing signs of revival or was booming. Mr Ford had both these points in his favour but it seemed that the shadows of the Watergate scandal and the CIA disclosures proved to be his undoing. His pardoning Mr Nixon, the former US President, for Watergate disgrace was perhaps something which the Americans failed to stomach.

During the campaign, Mr Carter asked two basic questions : (a) Can the US government be honest, decent, open, fair and compassionate? (b) Can the US government be competent? And he asked these questions in the context of the tragedies of Cambodia and Vietnam, the shame of Watergate, and the confusion and doubt caused by inflation and rising unemployment in the USA. Throughout his campaign, he hammered the point that under President Ford the US economy had no chance of getting out of the mire. What was more, under Mr Ford the officials betrayed the US public, he added. To all intents and purposes, Mr Ford had no convincing arguments to counter these points.

Again, even though the TV debates between the two candidates had been described by critics as dull, the fact remained that they put Mr Ford in the dock. His lifeless delivery, absence of deep knowledge about many important issues, and bungling over his views on eastern Europe were serious drawbacks. When Mr Carter said that President Ford was almost hiding himself in Washington and that the foreign policy of the USA was the handmaid of Dr Kissinger who was virtually the President of the country, Mr Ford produced no evidence to the contrary. It seems that Mr Carter's plea for a strong leadership in the White House, business, industry and labour was something which appealed to the heart of the American masses.

After having burnt their fingers in Vietnam, the Americans by and large are no longer keen to participate in military operations anywhere in the world. Mr Carter, it seemed, had correctly gauged the mood of the American people. That was why he made the emphatic statement that if the Soviet Union invaded Yugoslavia after Mr Tito's death, the USA would not move in. He made it abundantly clear that if he were elected President, he would never go to war or become militarily involved in the internal affairs of another country unless US security was directly threatened. It was obvious that this viewpoint had not cost him any votes though some commentators had felt that it would hurt him grievously. Similarly, Mr Carter's interview which appeared in *Playboy*—a pornographic magazine—did not cause him any damage as he openly and clearly acknowledged his mistake in doing so.

Before the election day, there was the general impression that the voters had been turned off by the campaign which had been uninspiring and that only half the number of voters on the electoral rolls would turn out for casting their votes. Fortunately for Mr Carter, the weather throughout the USA on November 2, was congenial with bright sunshine smiling on the vast continent. The increased turnout of voters was not a mean factor which boosted the number of votes cast in Mr Carter's favour.

The developing countries including ours have shown keen interest in the US presidential election because of the unfriendly attitude of the Nixon and Ford administrations. Mr Carter held out his hand of friendship to the poor countries of the world when he said at the national convention of the Democratic party : "To the nations that seek to lift themselves from poverty, I say that America shares your aspirations and extends its hand to you". Now that Mr Carter has the presidential crown on his head, let us hope that he lives up to his protestations.

Taxes as businessmen see them

THE ELEVENTH all-India conference of tax executives, organised by the Federation of Indian Chambers of Commerce and Industry (FICCI) in New Delhi last week, made it abundantly clear that notwithstanding the general tendency of the anthorities to resist, to the extent possible, scaling down of the burden of taxation, there was a general consensus on the need for the rate of savings in the country to be stepped up in the interest of keeping up the tempo of economic development and for minimising deficit financing for developmental purposes. Deficit financing, of course, is nothing but forced saving. But its inequitous incidence on the less affluent and the weaker sections of society obviously cannot be ignored.

Given the above postulate, what the business and industry representatives assembled at the above conference primarily stressed was that there was not an insignificant scope for a reduction in taxes even without sacrificing the overall revenue from them. This was particularly true of the corporate taxes in the case of which a number of concessions and reliefs had to be granted for various purposes in view of the high tax rates. The cumulative effect of our corporate taxes, it was pointed out, was the highest in the world.

increased production

A simple and low corporate tax which would not need, to any great extent, the present trappings of reliefs and concessions, it was suggested, could yield the same revenue, as it would help in the creation of further production capacity through ploughing back of the retained profits as well as saving of a good deal of the time and energy of business and industry executives as also of the authorities. It may be difficult to do away with all the concessions and reliefs in the present circumstances because of the special needs of some industries. But as the FICCI president, Mr M.V. Arunachalam, observed, while summing up the delibrations of the conference, the above, surely, is a good ideal to work for.

The union minister for Finance, Mr C. Subramaniam, however, ruled out, in his inaugural address to the conference, any reduction in corporate taxes. On the contrary, he urged the protagonists of reduction in these taxes to not only examine their plea against the background of the urgent need to enlarge the flow of public savings for financing public investment but also bearing in mind that any stimulus to private investment by a reduction in corporate taxes must be balanced against the negative stimulus to the same investment flowing from a reduction in public investment.

adverse effect

Ostensibly, Mr Subramaniam's exhortation cannot be objected to. The past experience has shown that the slowing down of investment in the public sector has had an adverse effect on the entire economy. It has led to a dwindling of demand for the products of a wide range of industries. The immediate impact has been on the basic industries. In course of time, this impact has percolated to others. But a closer scrutiny of Mr Subramaniam's contention would suggest that it is not as impeccable as it sounds.

It cannot be denied that as a sequel to governmental policies—inadvertently or designedly—the growth of the private sector in our country has also come to rely in a very great measure on the availability of institutional finance, as for a considerable period, the capital market has been in a bad shape for various reasons. Despite improvement in the tempo of economic activity in the past few months, the outlook for the capital market has not brightened up for the reason that return on equities leaves much to be desired vis-a-vis the attractive interest available, without any risk involved, on deposits with banks. The capital market obviously cannot revive till the yield on equities is made attractive enough. The other important allurement for investing in risk capital of industrial units—appreciation in the value of investment—cannot be expected to be there for quite some time. But that too is dependent on two things—equity yields and ploughing back of retained profits in further growth of the industrial units concerned. The confidence of small and medium investors in the capital market undoubtedly has been shaken a great deal in the recent past. The restoration of this confidence is not going to be an easy task.

generating funds

This implies that if the burden on financial institutions arising out of the growth needs of the private sector has to be reduced, the industry has to be allowed to generate sufficient funds from internal resources for future growth as well as for some increase in dividends to make investment in equities a feasible proposition. It was apparently against this background that those assembled at the above conference pleaded not only for a direct reduction in the rate of corporate tax but also for modifications in the other direct taxes on companies, including the surtax on compaay profits, inter-corporate investments, capital gains tax, etc. Surtax on company profits, it was stressed amounted to a tax on efficiency. The capital gains tax, it was pointed out, needed modifications to allow exemption from this tax to all capital gains if reinvested within a reasonable period in productive pursuits as well as in the light of the period of time over which such gains accrued. Inter-corporate investments, it was emphasised, could encourage new floatations.

These pleas of the industry cannot be just brushed aside if it is recognised that the private sector has some role to play in our economy. It may be stressed in this regard that the growth of the two sectors—public and private—is inter-dependent in a mixed economy. The wherewithal for growth, therefore, has to be provided for both the sectors. Milching of one sector for the benefit of the other would amount to denying prospects of growth to the former. Further, the public sector [too has] to generate funds for its growth through efficient functioning. If the emphasis is there on the expansion of the existing production facilities, to the extent possible, the funds required for the expansion of the public sector would not be of very large magnitude. Concerted efforts at economy in governmental expenditure and rationalisation of not only the working of the public sector units but also of their pricing policies too can throw up sizeable resources for investment.

In respect of indirect taxes, many useful suggestions were made by the conference, although all of them were not novel. These included replacement of such indirect taxes as excises, sales tax, octroi and various cesses by a single tax to be shared by the concerned authorities so that not only could the various distortions brought about in the economy because of varying rates of particularly sales tax and octroi in the various parts of the country be corrected but also malpractices in their administration eliminated. It is, indeed, regrettable that the successful experiment of centralising the sales tax on tobacco, textiles and sugar has not been extended to other commodities owing to the opposition from states on the ground that they would lose the leeway for raising revenue on their own. The contention of the state governments does not hold much water if note is taken of the fact that the sharing of central revenues with the states is periodically reviewed by the finance commissions along with adjustments required in central assistance to states. Incidentally, a single-point tax on commodities and services should make abundantly easier the grant of drawbacks of these taxes for export. The cascading effect of a wide range of *ad valorem* excise levies and other indirect taxes is another point to be considered seriously in any attempt at the rationalisation of indirect taxes, currently being looked into by the Jha Committee. On value added tax (VAT), it was felt that while this form of taxation had several advantages, particularly because of the fact that it did not spill over into industrial costs, its drawbacks for an economy such as ours, arising out of physical administration and maintenance of complete and detailed accounts in a sophisticated manner, could not be ignored. The scheme, it was, therefore, felt needed detailed thought.

Direction of India's exports

THOUGH INDIA'S total exports in 1975-76 recorded an impressive increase to Rs 3941.6 crores from Rs 3328.8 crores in the previous year—a rise of Rs 612.8 crores—the fact that our goods received a setback in many important markets in the last year should be a matter of concern. For example, our exports to several countries of eastern Europe were much lower in 1975-76 than in the preceding year. Exports to the USSR declined from Rs 421.4 crores in 1974-75 to Rs 412.8 crores in the next year, to Yugoslavia from Rs 29.7 crores to Rs 28.5 crores, to Czechoslovakia from Rs 60.4 crores to Rs 34.4 crores and to Hungary from Rs 19.5 crores to Rs 14.4 crores. In eastern Europe, an increase in exports was recorded only in respect of Bulgaria, Poland and Rumania. Details are not available about the commodities in respect of which there was a fall in exports to the countries of this region. The union Commerce ministry should look into the causes for this decline and take appropriate steps to promote exports.

Among the European Economic Community (EEC) countries, our exports rose substantially to the UK, the Netherlands, Italy, Ireland, West Germany and Denmark but declined in respect of Belgium and France. Of particular significance is the increase in exports to the UK from Rs 312.3 crores in 1974-75 to Rs 403.6 crores in 1975-76. In 1973-74, these exports had amounted only to Rs 263.1 crores. The introduction of the generalised system of preferences (GSP) seems to have helped to some extent the promotion of our exports to the EEC. Although the concessions under the GSP are not as liberal as they should be, considering the high degree of development of these countries, Indian exporters should take greater advantage of them. For this purpose, New Delhi should provide our exporters with correct and continuous information about the utilisation of quotas and other details regarding the operation of the GSP. It is worth noting that the countries of the EEC have also been taking the initiative in stepping up imports from India. The European Economic Commission recently sponsored a delegation of 38 members representing India's engineering industry with a view to acquainting them with the economic and commercial conditions in the countries concerned. Led by Mr R.C. Maheswari, chairman of the Engineering Export Promotion Council, this delegation secured orders worth five crores of rupees, and orders for another Rs 10 crores were expected shortly. Delegations have also come to India recently from West Germany, the UK and other countries in order to promote trade and economic cooperation. As the production in India's industries has lately started picking up, it should be possible for our exporters to find a better market in the EEC.

sharp increase

Our exports to the USA jumped sharply from Rs 374.9 crores in 1974-75 to Rs. 507.7 crores in 1975-76. In fact, the USA emerged as the largest importer of Indian goods in the last fiscal year. But exports to Canada fell from Rs 44.2 crores to Rs 42.4 crores in this period. What is even more significant is that exports to Argentina fell from Rs 10.6 crores in 1974-75 to four crores of rupees in 1975-76 and to Brazil from Rs 3.5 crores to Rs 2.3 crores. The government of India has been giving greater importance to the promotion of trade with Latin America in recent years. But it is not clear in what items Indian goods have received a setback in Latin America.

Our exports to many countries of West Asia showed a sharp increase in 1975-76 as compared to the preceding year as well as 1973-74. This trend is gratifying. But are Indian exporters as well as the state trading organisations doing their best to promote exports to the countries of west Asia? Their imports have increased steeply and are expected to rise further in the coming years. According to a study by the Economic and Scientific Research Foundation, New Delhi, OPEC's imports of goods and services are likely to increase from $37 billion in 1973 to $186 billion in 1980 and $216 billion in 1985. Therefore, both Indian industry and the state trading agencies should give special attention to west Asia not only for promoting exports but also joint ventures. The Economic and Scientific Research Foundation has said that India has taken some "rather late and half-hearted steps to establish new contacts and explore possibilities of industrial ventures" and that "many opportunities were missed and initiatives were misguided".

In the ESCAP* region, our exports to Japan which had declined from Rs 359.8 crores in 1973-74 to Rs 296.7 crores in 1974-75 went up sharply to Rs 426.9 crores in the next year. Exports to Afghanistan, Hong Kong, Indonesia, Iran, Malaysia, Bangladesh and Singapore also increased. But there was a fall in exports to Sri Lanka, Australia and New Zealand. Among the African countries, a notable development was the big decline in exports to the Sudan from Rs 66.5 crores in 1974-75 to Rs 36.5 crores in 1975-76 and a steep increase to the Arab Republic of Egypt from Rs 52.5 crores to Rs 100.3 crores. The union Commerce ministry should give a detailed analysis of our exports in terms of important countries and regions and explain what steps it proposes to take in respect of those whose offtake of Indian goods has received a setback.

pragmatic policies

Meanwhile, export policies and procedures which have become more pragmatic in recent months, should be reviewed from time to time so as to improve the competitive capacity of our industries. For instance, export finance needs to be made available more liberally. As Mr Raunaq Singh said at the annual meeting of the Federation of Indian Export Organisations, held in New Delhi in September this year, "unfortunately our interest rates are the highest. They should be on par, if not lower, with our competitors and should be periodically reviewed in this perspective. Fixed periods should go and periods determined on merits of each case. Side by side, the deferred payment terms available to bids up to Rs 50 lakhs should also be applicable to high value contracts. In fact, export finance should be treated as a promotional tool".

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*Economic and Social Commission for Asia and the Pacific.

Rupee and its rising external value

CONTRARY TO general expectations, the upvaluation of the Deutsche mark against all other currencies at varying rates, particularly in relation to the currencies of the members of the European 'Snake', has not had any adverse effect on the external value of the Indian rupee. The modest upvaluation of the West German currency has ended speculation about its immediate future and interest has now shifted to the Japanese yen. The selling of the Deutsche mark after its revaluation has led to a modest strengthening of the US dollar and even the British pound has been hovering around the low levels touched at the end of September. With the protracted negotiations for securing a loan from the International Monetary Fund (IMF) and the serious differences of opinion over the measures that should be adopted for reviving the British economy it is apprehended that the pound might touch new low levels necessitating a fresh upvaluation of the rupee in terms of its currency.

Already the rupee has been revalued on nine occasions since the government of India took the decision to delink it from the pound. Before the delinking decision was taken the rupee had a middle rate of Rs 18.60 per £. The rate appreciated to Rs 14.70 per £ on September 29, 1976 resulting in a net rise in the exchange value by 21 per cent. The refixation of the middle rate periodically has not only enabled the Reserve Bank to neutralise fully the depreciation in the value of the British currency in the past year and more but also enabled it to secure a marginal appreciation against the US dollar. The spot rate on October 21, 1976 was dollars 11.24 per Rs 100 for purchases by Reserve Bank against dollars 11.1925 per Rs 100 on September 25, 1975. There was, however, depreciation in relation to the West German currency and only 27.20 marks could be secured for every Rs 100 on October 16, 1976 against 29 8350 marks on September 25, 1975. During the same period there was a similar movement in the value of the yen, only 3273 yen being available for Rs 100 against 3395 yen on the earlier date. After the revaluation of the mark however the rupee has surprisingly gained in strength with the rate being more favourable at 27.23 (October 21, 1976) though the rate was even higher at 27.44 marks on October 20, 1976. The yen too could be secured more advantageously with the rate at 3284 per Rs 100 against 3273 on October 15, 1976.

insignificant changes

The changes in the rates for West German currency and Japanese yen after the upvaluation of the former may not be considered significant. But even a marginal rise in the external parity of the rupee in relation to these two strong currencies can be taken as an indication of the gathering strength of the Indian currency against other currencies. This gives rise to the question whether further refixation of the middle rate in terms of the British pound, in the event of the further depreciation in the value of the latter, will lead to a definite cheapening of imports from several sources barring perhaps West Germany and Japan. There are of course the complications arising out of the adjustments in export prices by the concerned countries. Even so the balance of advantage is definitely in favour of our country as the export prices for many staple items, tea, coffee, textiles, iron ore and hides and skins, are quite attractive and the Indian shippers are not worried about lower realisations in terms of rupee, as they were some time back when revaluations took place and the middle rates in terms of the pound were substantially reduced.

The force of this argument will be recognised if it is pointed out that the average prices realised for tea of different grades at the auctions at Calcutta and Cochin have been higher and the sterling quotations too have risen sharply in the past year. There has of course been an unprecedented boom in coffee while higher prices have been secured for iron ore shipments. The export of hides and skins and textiles also are being effected on a remunerative basis. Only in respect of raw jute and sugar there has been a setback for special reasons. But the ground lost by these two commodities has been more than recovered by a big rise in engineering exports and it is now confidently expected that the aggregate rupee value of exports will be easily Rs 4,400 crores, a rise of over 14 per cent on top of the brilliant performance in 1975-76. The increase in thé form of foreign exchange earnings may actually be higher as the rupee has been fetching more of other currencies in the past year and the cumulative effect of the revaluations must be more fully felt in the later half of 1976-77.

sizable decline

On the import front too the unit value of several items might decline sizably due to lower prices and smaller quantum as in the case of fertilisers. There has also been a drop in the cost of steel import though machinery, intermediate products and other items may require a larger outlay in foreign exchange. But a significant reduction in food imports and an effective neutralisation of the depreciation in pound along with a marginal appreciation in terms of the dollar should even secure a marginal reduction in the cost of crude and petroleum products. The situation however may change if oil exporting countries decide to increase their selling prices towards the end of the year by 10 to 15 per cent. Even here, the net increase in the oil bill can be prevented from assuming inconvenient proportions if the output of oil within the country can be stepped up substantially through vigorous exploitation of the new reserves in Bombay High and the oilfields in north-east India.

The outlook for foreign trade in 1977-78 too can thus be regarded as encouraging especially as it is expected that a high level of agricultural production will again be achieved in the current agricultural season. The government and the Reserve Bank naturally feel confident of managing any situation that may arise in the international scene in the coming months. The upward trend in foreign exchange reserves has remained in evidence and even after the repayment of 260 million SDRs (Rs 270 crores) to the IMF against its obligations, on behalf of the government, the Reserve Bank has been able to report an increase in balances held abroad in the Banking Department.

The total of foreign balances in the Issue and Banking Department stood at Rs 1936 crores on October 15, 1976. If the repayments to the IMF aggregating to Rs 335 crores are taken into consideration, the total of foreign balances would have risen to Rs 2272 crores (in the absence of these repayments), a level which has not been touched at any time in the past. It is also noteworthy that the recent rise in the rupee value of the balances has been less pronounced as a result of a higher external parity for rupee. It is not known in what form the foreign exchange reserves are held by the Reserve Bank though it must be a tough job for the officials concerned with the management of the foreign balances to effect a reshuffling of these reserves held in various currencies and prevent a net depreciation in terms of effective purchasing power.

It remains to be seen whether a liberalisation of imports will be reflected in smaller net additions to reserves in the coming months and even net declines in particular stages. But the secular trend is in favour of a continuing rise in foreign balances and the recent improvement in the external value of rupee could be sustained with even more vigorous efforts for checking inflationary pressures within the country and stabilising prices for agricultural products and manufactured goods, at reasonable levels. In that event the rupee can turn out to be really one of the world's strong currencies.

Eastern Economist 30 Years Ago

NOV. 8, 1946

The Indian Roads Congress, a representative organisation of government road engineers and non-official road interests, at a recent session of its Council held at Karachi, did well to focus attention on some outstanding problems of road development such as planning and rationalisation, road finance, research and technical issues. Mr. L.A. Freak, President of the Roads Congress, expressed satisfaction at the increasing awareness among the public for more and better roads in the interest of a general levelling up of rural life and advancement of trade, industry, agriculture, education, health and social services. The administrator is no less interested in the development of communications than the public for, as the Governor of Sind who opened the session emphasized, the efficiency of the police force is increased manifold by good roads whose existence is absolutely essential to the maintenance of law and order. And yet can there be two opinions on the inadequacy of roads in this country in general and their utter insufficiency in the rural areas in particular? In 1943 the total mileage of roads in India was 296,438. The length of unmettaled roads was 201,384 miles, of which approximately 16 per cent only had all-weather motorable surfaces. The mileage of metalled roads was 95,504 miles, only 15,121 of them having modern surfaces. The total length represent 0.18 mile per square mile of the country's area and 76 miles per 100,000 of population. In contrast, the corresponding ratio in the USA is 1.01 mile per square mile and 2,499 miles for 100,000 of population. The existing roads serve mostly the urban and semi-urban areas to the grave neglect of rural regions. Bombay province is supposed to be comparatively a very advanced part of the country, but a survey held in 1940 revealed that in some districts 40 to 75 per cent of the area was not served by any roads at all.

CAPITAL'S CORRIDORS

R. C. Ummat

Steel prices • Indo-Danish economic cooperation

CLOSE ON the heels of the indication given in the recently finalised fifth Plan document that some rationalisation of the pricing policies of public sector undertakings would be necessary in order to bring prices in better alignment with costs, the new chairman of the Steel Authority of India (SAIL), Mr R.P. Billimoria, revealed in a talk with pressmen last week that an upward revision in the prices of certain categories of steel, particularly those manufactured at the Durgapur steel plant, was likely to be effected soon, even though at the current efficiency of the steel industry and the overall structure of steel prices, a reasonable return on capital could be expected. He did not indicate any particular items the prices of which were envisaged to be raised, but apparently he had uppermost in his mind the supplies of wheels and axels and other equipment to the railways which are produced solely at the Durgapur steelworks.

The increase in the prices of some steel products, Mr Billimoria stressed, was warranted due to their uneconomic production and in the case of some others owing to rise in costs of material inputs; the increased labour costs following the last wage agreement with workers, he revealed, had been more or less absorbed by the steelworks through increase in labour productivity. No small achievement, indeed!

inexplicable situation

Admittedly, there cannot be any objection to the stepping up of the prices of products owing to factors beyond the control of steelworks, which include escalation in costs of inputs. This is because even though the steel industry belongs to the category of basic industries supplying raw materials for the consumer industries, it cannot be expected to incur losses or subsidise the consumer industries. But it passes comprehension how uneconomic scale of production, which in the case of the wheels and axels manufacture has resulted primarily from very low utilisation of the installed capacity and that too not owing to lack of orders but due to the acute labour indiscipline which bedeviled the operations of the Durgapur steelworks for quite some time before the emergency, could be put forth as a reason for pushing up their prices. It, indeed, will amount to setting up a bad precedent if the consumers, whether in the public or in the private sector, are to be burdened with inflated prices because the manufacturers' production costs are unduly high owing to gross under-utilisation of capacity. Negotiations with the railways on the issue of the pricing of products purchased by them from the Durgapur steelworks, Mr Billimoria disclosed, had already been initiated.

difficult task

The revision of the prices of steel products in the present circumstances, surely, is not going to be an easy exercise, as the industry has sizeable stocks even after stepping up exports, which during the April-September period aggregated to 1.25 million tonnes, valued at Rs 167 crores. These exports were nearly 64 per cent more compared to the total exports in 1975-76. There can be no single criterion for pricing. Of course, the production costs of as many items as possible, which are being manufactured on an economic scale of production, obviously have to be met fully along with a reasonable return on capital. In the case of several items the demand for which is commensurate and which form the base for the production of products for the affluent sections, the prices can be fixed according to the principle "what the market can bear". This can provide for the losses the steel plants may be obliged to incur on items which are not fast-moving or where there are physical capacity constraints resulting in uneconomic scale of production. At least part of the rehabilitation and modernisation programmes of the steel plants too should be met from the surpluses available from the pricing of the fast-moving items. Some element of the rehabilitation and modernisation costs, in fact, should be there in the prices of all products, the scale of production of which is economic, at reasonably efficiently running of plants so that they can be self-generating propositions.

improved viability

Mr Billimoria also indicated that the economic viability of the alloy steel plant at Durgapur was proposed to be improved through installation of some balancing equipment in the stainless steel manufacturing section so that the high cost of production of stainless steel at this plant vis-a-vis the other manufacturers in the country as well as the imported material could be brought down. This, however, is not the only solution to the problems of the Durgapur alloy steel plant which has been experiencing difficulties in the disposal of some of its products because of the significantly increased availability of alloy steels from indigenous sources and lack of commensurate increase in demand. The unrealistic import policy too has added to the difficulties of the indigenous manufacturers of alloy steels, both in the public and the private sectors, even though it was designed to spur them to efficient operations through competition. It is not suggested that the domestic market should be made a sheltered one for the indigenous manufacturers. But surely care has to be taken that imports are not allowed to undue detriment to domestic producers.

Mr Billimoria outlined a four-point strategy to further improve the working of the various integrated steelworks in the country. This strategy includes raising of production to meet the market demand, rationalisation of product-mix to suit market conditions, enlarging of the market demand by stimulating demand particularly in the rural areas and maximisation of both production and profitability. One method of stimulating demand for steel in the rural areas, Mr Billimoria felt, was making available, even on deferred payment basis, grain storage bins to agriculturists so that besides increasing demand for steel, better storage could reduce grain losses, which according to some estimates, range up to 30 per cent.

The saleable steel production from all the integrated steel plants during the six months to September, Mr Billimoria said, had been a record at 3,311,000 tonnes—25.4 per cent or 671,000 tonnes more than the output during this period last year. The total production of saleable steel during the above six months was 109 per cent of the half-yearly output during 1975-76. The public sector steel plants under SAIL have done even better by showing a growth of 36.7 per cent in production compared to the output during the corresponding period last year. In terms of the target set for them, their output was higher by 12.6 per cent. Excluding Bokaro, where some units are still passing through the gestation period, the overall capacity utilisation in the manufacture of saleable steel at the integrated works has been 88.2 per cent, as against 76.5 per cent in the six months to September 1975.

growing demand

The domestic demand for steel, Mr Billimoria said, has started showing a definite growth. The total domestic sales during the first half of the current financial year were 2,666,900 tonnes, as against 2,194,300 tonnes during the corresponding period last year. Including exports, the total offtake was 3,235,700 tonnes, as against 2,275,800 tonnes. This has helped in the obviation of further accumulation to stocks recently despite upswing in production.

Several technological improvements, Mr Billimoria said, were carried out during the first half of the current year to develop new products to suit market demand. Some of the items like niobium steel (HSLA) plates produced at Rourkela, high tensile plates and deep drawing quality steel at Bokaro and angles of critical sizes at Bhilai and Durgapur helped in minimising imports. The items include: (1) 1.9 mm narrow strip (Durgapur); (2) OTSC quality tinplates (Rourkela); (3) 0.24 and 0.2 mm tinplates (Rourkela); (4) niobium steel (HSLA) plates (Rourkela); (5) high tensile plates (Bokaro); (6) deep drawing quality steel (Bokaro); (7) angles 100x100x 8 mm (Durgapur; (8) angles 90x90x6 mm (Bhilai).

Imports of the several items were reduced by (1) increasing the availability of skilled quality steel from Rourkela and Bokaro; (2) increasing the availability of 19 gauge and 24 gauge CR coils for refineries; (3) stepping up of availability of Lloyds grade-A plates; and (4) production of rimming quality ingots at Bokaro for rolling into wire rods at Bhilai.

The appointment of MECON—a subsidiary of SAIL—as consultant for Nigeria's largest industrial complex, which includes two, one million tonnes each, direct reduction-based integrated steel plants, Mr Billimoria said, was another major event this year. The MECON would be responsible for total consultancy services concerning tender evaluation, award of contracts and projects supervision up to the commissioning of the plants scheduled towards the end of 1980. These integrated plants will have gaseous reduction sponge iron making facilities, electric arc furnaces, continuous casting units and rolling mills. This consultancy contract, Mr Billimoria added, had been won by MECON in the face of stiff international competition. A team of MECON experts is already in Nigeria preparing detailed plan of work along with the Nigerian engineers and other specialists. The capital cost of both the steel plants, including the infrastructure, is expected to be around 1.6 billion US dollars.

* *

Eight lines of manufacture have been identified during the recent visit here by Mr Irav Norgaard, the minister of Foreign Economic Affairs in the government of Denmark, for joint ventures by Indian and Danish entrepreneurs. These include fishery development, feed mill machinery, food and meat processing, coal-based boilers, foundry equipment, liquid ammonia plants, furniture manufacture and machinery for garment industry. The contacts established with the representatives of Danish trade associations and companies who accompanied Mr Norgaard are proposed to be followed up by the trade associations of the two countries. The Danish representatives gave an idea to the Indian businessmen of the financing facilities available to investors for setting up joint ventures through the Danish Industrialisation Fund for Developing Countries.

During the discussions between the Danish minister and the union minister for Commerce, Prof D.P. Chattopadhyaya, it was agreed that the Indo-Danish trade and economic cooperation at present was not commensurate with the potentials of the two economies. It was, therefore, proposed that both the sides should take active measures to expand and diversify trade and economic cooperation.

Mr Norgaard told newsmen last week at the conclusion of his visit that he also had discussions with the government of India on the slow utilisation of the 50 million kroners credit made available by his country two years ago (till now, only 18 million kroners out of this credit have been spent). If the utilisation of this credit to 50 per cent was not speeded up, the Danish government, he said, would not be able to release another 70 million kroners credit which had already been agreed to. It was felt that the government of India should consider the possibilities of tying up Danish credit with some large value projects, as against the small value projects which had been responsible for the slow utilisation of this credit.

new economic order

Mr Norgaard also had discussions with the Indian authorities, including the prime minister, on the new international economic order which aims at reducing disparities between countries. Mr Norgaard expressed the view that aid should not have any political strings attached to it. But he believed that the donors should try to ensure that aid went towards reducing disparities in developing nations.

Denmark, Mr Norgaard further stated, was in favour of a common fund for raw materials which would help in improving the export prices of third world. Experience, he said, had shown that financial and technical aid alone would not bridge the gap between the rich and the poor nations. Besides the tax-payers in the western countries felt that they were already paying too much by way of taxes. Mr Norgaard, therefore, pointed out that it would be difficult for the western countries to reach the official aid targets. Hence, it was desirable that aid flows should be supplemented with trade concessions.

Fund flow analysis of IDBI

D. K. Kotia*

The author has analysed the sources of finance and their utilisation by the Industrial Development Bank of India in the eleven-year period ending in 1974-75, and has come to the conclusion that it has used the available funds efficiently. Among the various modes of raising new financial resources, he has recommended increased recourse to the tapping of the bonds market and borrowings from well-settled industrial units assisted by it in the past besides improved control over administrative overheads and elimination of unproductive expenses.

THE INDUSTRIAL Development Bank of India (IDBI), a wholly-owned subsidiary of the Reserve Bank of India (RBI), was established in 1964 to furnish term finance to industry and to co-ordinate the activities of financial institutions.

The IDBI is the most important agency for planning, financing, promoting and developing industries in India. The main services rendered by it are: (i) indirect assistance—to assist financial institutions and banks through re-finance to guarantee their obligations, to subscribe to or purchase their securities; (ii) Direct assistance—to assist industrial units by granting loans and advances; by subscribing to, purchasing or underwriting their securities; by discounting or re-discounting of their bills; by guaranteeing their loans or deferred payments; and by rendering technical assistance; and, (iii) Promotional activities—marketing and investment research, surveys, techno-economic studies, etc.

central agency

The role of the IDBI has been conceived not merely as an instrument for enlarging the usefulness of the existing financial institutions by supplementing their resources and widening the scope of their assistance for financing industrial development but also as a central agency, which ultimately is concerned, directly or indirectly, with all problems relating to the medium and long-term financing of industry with special responsibility to fill the gaps in the industrial structure and to develop certain vital and strategic sectors. The IDBI, thus, emerges as a pivotal financial institution which has been assigned an important role in the task of planned development of industry in India.

The sources of IDBI's finance with restrictions imposed on their quantum, purpose and term have been laid down in the IDBI Act, 1964.

The authorised share capital of the IDBI was fixed at Rs 50 crores which has already been issued and fully subscribed and paid. The share capital of the IDBI can be increased to Rs 100 crores with the prior approval of the central government.

The IDBI may take loan from the RBI for periods up to 90 days against trustees' securities and up to five years on the security of bona fide commercial bills or promissory notes and may also borrow on a long-term basis from the National Industrial Credit (Long-term Operations) Fund, set up by the RBI.

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The bank may borrow from the central government from time to time on such terms as may be agreed upon. Under the IDBI Act, 1964, a special fund—Development Assistance Fund—has also been set up to augment the bank's resources (financed mainly by central government) which is intended to assist, with the prior approval of the central government, such industrial projects which are of strategic importance to the economy but involve more than ordinary risk in financing owing to heavy investment involved or low anticipated rate of return on capital or long gestation period.

The bank may also raise resources by selling bonds, with or without government guarantee, and by accepting deposits from the public for a period of not less than twelve months, on terms approved by the RBI.

The IDBI may also acquire resources by borrowings from other sources with government approval, including amounts in foreign currencies from institutions in foreign countries.

total funds

Table I sets out inflows of IDBI's funds from various sources during the eleven years of its operations—1964-65 to 1974-75—as well as since inception up to the end of 1974-75. The total funds of the IDBI during the eleven years amounted to Rs 1212.5 crores. The funds of the IDBI have been increasing continuously during the last eleven years except for the year 1967-68. During 1974-75 total funds at the disposal of the IDBI were Rs 272.8 crores as compared to Rs 43.1 crores for the year 1964-65 showing a six-fold increase. Due to investment in industries at a fast rate throughout the country, the IDBI continuously strove for augmenting the resources during the last 11 years to meet growing needs for funds except for 1967-68 in which the climate of recession affected the demand for funds in certain sectors of the economy.

The growth of IDBI's funds was 36 per cent in 1974-75 and 41.9 per cent (highest since inception) in 1973-74. The annual growth in the IDBI's funds shows wide fluctuations during the last 11 years. However, in recent years the funds of the IDBI have increased at a fast rate. In 1974-75 the value of funds had doubled as compared to 1972-73.

The most important source of IDBI's funds has been repayment of past assistance granted by it, the contribution of which has been increasing continuously during the last eleven years except for the slight fall in 1968-69. Since inception up to 1974-75 out of IDBI's total funds of Rs 1212.5 crores repayment of past assistance amounted to Rs 426.9 crores forming 35.2 per cent of total funds. Since IDBI's operations have now gained momentum this source has been contributing a very significant amount in the total funds of the bank, particularly in recent years. In fact, after a few initial years of IDBI's operations, the contribution of repayment of past assistance has ranked as number one. Thus, the IDBI has been able to build up a source of funds of a revolving nature through repayment by the borrowers.

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Another important source of IDBI's funds is borrowings from Reserve Bank's National Industrial Credit (Long-Term Operations) Fund, the amount of which was negligible up to 1968-69 but afterwards it increased at a fast rate. As compared to Rs 20 crores in 1969-70, the amount of borrowings from this source increased to Rs 86 crores in 1974-75.

In view of increasing demand for funds, the resources position of the IDBI has been under pressure in recent years. Resort was, therefore, made during 1973-74 and 1974-75 to temporary borrowings from the RBI against lodgement of usance bills rediscounted by the IDBI. The amount from this source contributed Rs 20 crores (10 per cent of total funds) in 1973-74 and Rs 42.8 crores (15.7 per cent of total funds) in 1974-75.

Since inception up to 1974-75, the share of the borrowings from the RBI and repayment of past assistance was 62.3 per cent of total funds. The share of these sources in total funds for the last six years has been shown in Table II which reveals that not only in absolute terms but also as percentage of total funds the contribution from these sources has been increasing continuously and in 1974-75 it was the highest—at the figure of Rs 184.8 crores constituting 83.4 per cent of the total funds of the year. It is therefore clear that the funds of the IDBI have been mainly coming from "repayment" and "borrowings from the RBI."

In order to meet the increased requirements of funds, the IDBI has also been resorting to borrowings from the market through flotation of bonds. During the last four years (1971-72 to 1974-75) it has issued bonds worth Rs 60 crores.

In its initial years, the IDBI depended largely upon borrowings from the government. During the first five years of its operations, the IDBI borrowed Rs 145 crores from the government forming nearly 50 per cent of total funds for these five years. Since 1969-70, in view of the stringent budgetary position of the government, the flow of government funds had been discontinued and, it had been replaced by the borrowings from the RBI, as indicated earlier.

TABLE II

Principal Sources of IDBI's Funds

Year	Contribution of borrowings from RBI and repayment of past assistance (in Rs crores)	% of total funds
1969-70	47.9	66.7
1970-71	65.7	68.0
1971-72	89.7	70.0
1972-73	99.6	70.6
1973-74	145.5	72.8
1974-75	184.8	83.4

The share capital of the IDBI has increased from Rs 10 crores in 1964-65 to Rs 50 crores in 1973-74 (equal to authorised capital) showing a five-fold increase in ten years. The funds from reserves (created out of profits) were very small and they formed a negligible part of total funds.

The uses of IDBI's funds for the 11 years under reference have been shown in Table III. It will be noticed that the

TABLE I

Sources of IDBI's Funds—1964-65 to 1974-75

(Amount in Rs crores)

Sources of funds	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	Since inception up to the end of 1974-75
1. Increase in paid-up capital and Reserves	10.8	1.3	12.1	2.8	3.3	4.3	13.6	13.2	3.6	14.5	2.8	82.3
2. Borrowings from government	22.5	37.9	34.6	25.0	25.0	—	—	—	—	—	1.2	146.2
3. Borrowings from RBI												
(i) NIC (LTO) fund	2.2	1.7	1.4	0.8	0.2	20.0	28.8	37.8	36.3	49.6	86.0	264.8
(ii) Against lodgement of usance bills	—	—	—	—	—	—	—	—	—	20.0	42.8	62.8
4. Borrowings by way of bonds	—	—	—	—	—	—	—	12.7	16.0	15.2	16.5	60.4
5. Repayment of assistance	5.5	8.6	11.7	24.8	21.6	27.9	36.9	51.9	63.3	75.9	98.8	426.9
6. Others*	2.1	11.3	8.7	8.9	16.7	19.6	17.3	12.6	22.0	25.2	24.7	169.1
Total	43.1	60.8	68.5	62.3	66.8	71.8	96.6	128.2	141.2	200.4	272.8	1212.5

*Including sale of investments and cash and other liquid resources

Source: Annual Reports of IDBI

main use of IDBI's funds has been disbursement of assistance through refinance to financial institutions and direct assistance to industrial units. The financial assistance disbursed during the year 1974-75 amounted to Rs 235.6 crores as compared to Rs 28 crores in 1964-65 showing an increase of more than eight times. The use of funds has been showing continuous increase during the last 11 years except for a fall in 1967-68. Except for the first year of IDBI's operations, the amount of disbursement of assistance has been 75 per cent or more of total fund and during the last five years it has not been less than 80 per cent of total funds. In 1966-67, the IDBI utilised 88 per cent of its funds in distributing financial assistance to its borrowers.

The bluk of IDBI's assistance has gone to financial institutions in the form of refinance. Out of total assistance of Rs 1003.3 crores (since inception up to 1974-75) disbursed by the IDBI, Rs 712.8 crores were utilised for the purpose of refinance to financial institutions constituting 71.3 per cent of total disbursements. In all years of IDBI's operations the indirect assistance has been greater than direct assistance. In the past five years the amount of refinance increased from Rs 39.8 crores in 1969-70 to Rs 184.1 crores in 1974-75 showing an increase of more than four times. It is, there fore, clear that the IDBI has been helping financial institutions in performing their functions effectively by giving great importance to refinance.

In order to measure whether the IDBI has been using its funds efficiently, the percentage change in disbursement of financial assistance has been studied in relation to percentage change in total funds and for this purpose chain base index numbers have been computed for total funds and disbursement of financial assistance for eleven years of IDBI's operations (shown in Table IV). It can be seen that except for the years 1967-68 and 1971-72, the amount of financial assistance increased faster than total funds. In 1965-66, total funds increased by 41 per cent while the amount of financial assistance rose by 84 per cent (as compared to previous year). The study of chain base index numbers for total funds and for disbursement of financial assistance reveals that increases in financial assistance have been greater than proportionate increases in total funds and thus, increases in funds have been utilised efficiently to meet larger demand of assistance from the IDBI.

The IDBI has also utilised its funds to repay borrowings from government and the RBI. The borrowings from government, which were a source of finance up to 1968-69, are being repaid since

TABLE IV

Chain Base Index Numbers of Total Funds and Dibursement of Financial Assistance.

Year	Total funds (in crore Rs.)	Chain base index No.	Disbursement of financial assistance (in crore Rs.)	Chain base index No.
1964-65	43.1	100	28.0	100
1965-66	60.8	141	51.4	184
1966-67	68.5	113	60.3	118
1967-68	62.3	91	46.5	77
1968-69	66.8	107	51.0	110
1969-70	71.8	108	55.8	109
1970-71	96.6	135	84.0	150
1971-72	128.2	133	101.0	120
1972-73	141.2	110	113.9	113
1973-74	200.4	142	175.8	155
1974-75	272.8	136	235.6	137

TABLE III

Uses of IDBI's Funds—1964-65 to 1974-75

(Amount in Rs. crores)

Uses of funds	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75
1. Disbursement of assistance by way of											
(i) Loans to industrial units	0.4	25.2	25.9	19.1	16.9	16.0	20.6	21.6	34.1	58.2	51.5
(ii) Refinance	27.6	26.2	34.4	27.4	34.1	39.8	63.4	79.4	79.8	116.6	184.1
2. Repayment of borrowings from											
(i) Government	—	—	—	—	—	0.7	3.7	6.6	8.9	11.9	12.4
(ii) RPI	—	—	—	—	—	—	—	—	—	—	20.0
3. Others*	15.1	9.4	8.2	15.8	15.8	15.3	8.9	20.6	18.4	13.7	4.8
Total	43.1	60.8	68.5	62.3	66.8	71.8	96.6	128.2	141.2	200.4	272.8

*Inclucing cash and other liquid resources

Source: Annual Reports of IDBI

1969-70, the amount of repayment increasing continuously. In 1974-75 the short-term borrowings from the RBI (against lodgement of usance bills) have also been repaid to the extent of Rs 20 crores.

Since the IDBI has assumed the character of normal source of finance for industrial units as well as financial institutions and since their need for funds is likely to grow with expansion in industry, the operations of the IDBI are likely to assume considerable dimensions and, there fore, it seems that a stage has been reached when it is desirable to create new sources of finance. It could, for instance, raise resources from the private sector either in the form of deposits from the public or borrowings by issue of bonds/debentures. So far the IDBI has arranged very small amounts by issue of bonds while in the financial structure of other financial institutions, this source has contributed very significant amounts.

Some of the other potential sources of funds which could be explored are: (i) rediscounting of machinery bills with the RBI and of export bills with RBI/foreign banks; (ii) borrowings from international institutions such as the World Bank; (iii) increase in the share capital; (iv) long-term loans from developed states; (v) Special loans for long periods from central government; (vi) loans from well-settled industrial units assisted by it in the past; and (vii) better control over administrative overheads and unproductive expenses. In the years to come IDBI has to play a big role in the industrial development of the country and, therefore, it is necessary to tap new and diverse sources for mobilising adequate resources for its operations.

Small-scale farming in tribal areas

J. P. Bhati

This is a study of tribal agricultural farms in Uttar Pradesh. On the basis of a sample survey, the author has concluded that the use of the new farm inputs is meagre irrespective of the size of the farm. Agriculture of both small and large farmers is of subsistence nature and is not market-oriented. The part played by the mass media such as the radio and the newspapers in the dissemination of new ideas is negligible.

THEORETICAL CONCEPTS pertinent to a discussion of the 'economics of scale and farm size' problem are so familiar that elaboration seems unnecessary. However, a look at some of the important studies concerned particularly with farm size (scale) would be worthwhile to have an idea of the phenomenon. As regards productivity, some doubts were raised about the validity and statistical basis of the inverse relationship between farm size and output per unit of land (10, 20, 21, 27). But it was very well established that, by and large, productivity per acre decreases with the increase in the size of holding (3, 6, 7, 10, 11, 13, 22, 23). This inverse relation, obtained by analysing the data pertaining to pre-green revolution period and specially from farm management studies, has been widely accepted and attributed, among other factors, to higher intensity of cropping on small farms.

Revolutionary changes have taken place in the field of agriculture during post-green revolution period. The diffusion of new farm technology into Indian agriculture has added a new dimension to the validity of the hypothesis of inverse relation between farm size and productivity and returns to scale. Recent studies conducted in this direction have indicated that inverse relationship does not hold true under new agricultural technology(24,30). In spite of the preponderance of the small farmers and highly divisible nature of new farm technology which can be used equally profitably on large and small farms, their participation in the process of agricultural development has not been commendable for various reasons. Positive relationship between farm size and adoption of green revolution technologies was generally noticed (1,17,18,26,29,33). Their meagre physical resources have stood in the way of benefiting appreciably from the new technology, which favours better endowed farmers (2, 4, 14, 18, 33). Institutional credit facilities, both short and long-term, were not available in adequate amounts to small landowners (8, 9, 15, 26, 28). Powerful vested interests tend to monopolise credit and other facilities even when these are meant for small farmers and other weaker sections (5, 18, 33). Thus, skewed distribution of resources creates relatively greater imbalances in the factors of production on small farms (28, 31, 32). To solve the problem of inadequate supplies of current production resources available to the small farmer on the one hand, and under-utilisation of farm equipment on the other and taking advantage of bulk buying of farm inputs and bulk selling of farm products, cooperative farming is advocated as the most suitable remedy (12,16,25).

crucial problems

Keeping in mind the above views expressed about small farmers in general, an attempt has been made in this article to highlight the crucial problems of Tharu tribal agriculture with reference to size of holdings. Due to comparative isolation and entirely different social and institutional systems of the tribal communities, the development of agriculture is of a different dimension. In case such knowledge is available, it will be easy for the agricultural extension workers and development agencies to plan their strategies and communicate the desired innovations to tribal areas.

Tharu is the main scheduled tribe of Uttar Pradesh. The members of this tribe are found in large numbers in Himalayan Tarai, all along the Nepal border from Nainital to Gorakhpur district. For this study information was obtained from 40 farmers of four villages of Khatima block in Nainital district. Farmers of each village were divided into small and large categories in accordance with their operated land holdings, and a 15 per cent random sample was drawn from each category. Thus, the sample consists of 18 small farmers who were holding less than three hectares each and 22 large farmers, each having a holding of more than three hectares. Data were collected by the survey method pertaining to the agricultural year 1970-71.

Results of the comparative analysis of small and large tribal farms regarding the structure and functioning of their agriculture and physical, economic and institutional problems encountered are presented in eight tables and are discussed here.

improved inputs

A study of the extent of adoption of improved farm inputs gives an idea about the dimension of progressiveness of agriculture. Table I reveals that a majority of the farms are unirrigated. Although the proportion of total farmers using irrigation facilities was higher in the large size group, but the proportion of sown area irrigated was not much different on small and large size groups of farms. High-Yielding Varieties (HYV) of wheat and rice had penetrated into this tribal belt but still they were in the 'trial stage' as only three to four per cent area under these crops had been devoted to them. About one-fourth of sampled farmers were using inorganic fertilizers and that too not in sufficient quantity. The per hectare fertilizer expenditure was more on small farms as compared with large farms where fertilizers were spread thinly. Per capita agricultural income was higher on large farms while agricultural gross income per hectare of operated area was higher on small farms. It was surprising to note that relatively higher proportion of large farms reported problems in the adoption of HYV seeds than small ones. The main problems pointed out were (a) high cost to grow HYV, and (b) inadequate and untimely supply of required inputs (see Table II).

TABLE I

New Farm Technology on Tribal Farms

Particulars	Small	Large	Average
1. Holding size (hectares)	2.24	6.99	4.85
2. % of sown area irrigated:			
(a) Kharif	8.57	9.75	9.46
(b) Rabi	4.97	6.83	6.38
Total	6.97	8.44	8.08
3. % of farmers using irrigation facilities			
(a) Owned source	5.5	22.7	15.0
(b) Govt. canal	16.7	18.2	17.5
Total	22.2	40.7	32.5
4. % of crop area under HYV			
(a) Paddy	14.02	0.99	4.22
(b) Wheat	7.82	1.15	3.23
5. % of farmers using HYV			
(a) Paddy	11.11	13.64	12.50
(b) Wheat	11.11	9.09	10.00
6. % of farmers using fertilisers	27.7	27.3	27.5
7. Expenditure on fertilisers (Rs/ha)	58.93	16.28	21.94
8. Agricultural gross income (Rs)			
(a) Per farm	2,092	5,679	4,062
(b) Per hectare	934	813	838
(c) Per capita	317	536	462

TABLE II

Problems in Adoption of HYV Seeds

(Percentages)

Problems	Small	Large	Average
Too costly to grow	61	68	65
Inadequate and untimely supply of inputs	50	60	55
Needs too much detailed knowledge	27	28	28
Susceptible to diseases	16	18	18
Total farmers finding problems	61	73	68

Note: Some farmers indicated more than one problem.

Both short and long-term investment per hectare of operated land was higher on large farms (Table III). However, per farm borrowings were higher on large farms but per hectare borrowed amount was higher on small farms. Borrowed funds accounted for 46.6 per cent of total investment on small farms, and 20.9 per cent on large farms. Cooperative societies were quite active in the area under study and provided about 40 per cent of credit to both types of farms. However, the government is providing help in the form of grants and loans to the small farms and has one-fourth share in the total credit supply, though the farmers were under substantial hold of local money-lenders. Commercial banks

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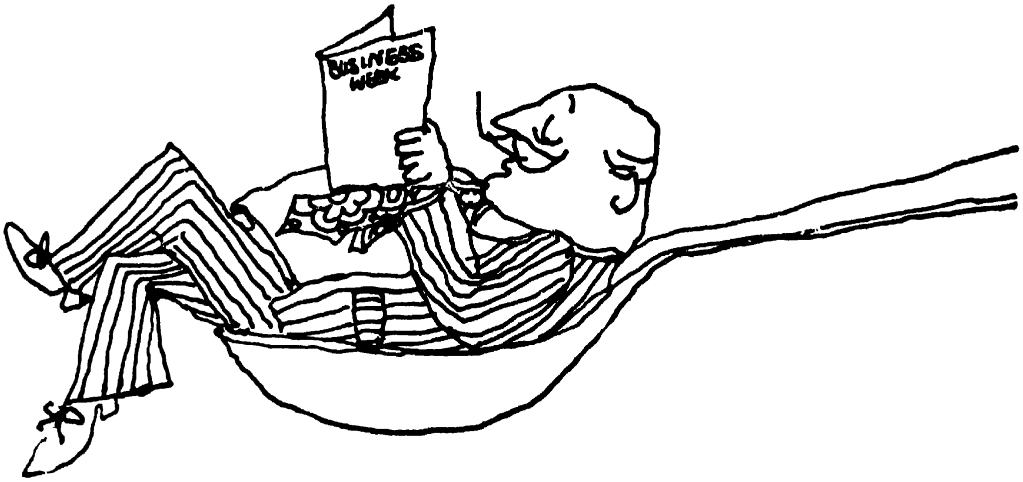

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were concentrating on large farms only, because small tribal farms were considered uncreditworthy.

Table IV reveals that non-farm income was obtained on large farms only and it constituted a very meagre proportion of total income. Per capita net income (disposable income) was Rs 272 on small farms and Rs 474 on large farms. Dis-savings were observed on small farms, while saving of Rs 1,259 per household was estimated on large-size farms.

main crop

Paddy was the main crop in kharif season as more than 60 per cent of land (mainly unirrigated and under local varieties) was put to it on both sizes of farms (see Table V). Wheat was the most important rabi crop which was also dominated by local varieties under unirrigated conditions. A very small proportion of land was devoted to such commercial crops as sugarcane and lahi (oilseeds), reflecting the subsistence nature of their agriculture. Due to lack of irrigation facilities the proportion of rabi fallow was twice of the kharif fallow on both types of farms, the figure for rabi fallow being 19.14 per cent of operated area on small farms and 35.18 per cent on large farms. Since the proportion of fallow land was substantially higher on large farms, this resulted in relatively low crop intensity on large farms.

In general yield rates were very low on both types of farms. Except for wheat (local), grom and sugarcane, large farms were obtaining slightly higher yields as compared to small farms.

The total value of marketed surplus was Rs 2,119 on large farms and Rs 389 on small farms (see table VI). At least some part of every crop produced on both types of farms was sold. But when the proportion of each crop in the total surplus was taken into account, it was revealed that paddy accounted for more than 60 per cent. It was followed by lahi (10.98 per cent) on small farms and gram (14.35 per cent) on large-size farms, and the rest of the crops accounted for a small proportion. Hence, for most crops the advantages of bulk selling were not available. This was more relevant to small farms where except for paddy no other crop sold accounted for more than Rs 45.

As regards disposal of farm produce, it is evident from Table VII that only 10 per cent of marketed surplus was sold in *mandi* (market—where reasonable prices could be obtained) by small farmers and 34 per cent by large farmers. Rest of the surplus was sold in the village itself. A substantial part of the farm produce was exchanged for consumer goods in the

TABLE III

Investment Pattern, Savings and Sources of Finance (1970-71)

(Rupees)

Particulars	Small		Large		Average	
	Per farm	Per hectare	Per farm	Per hectare	Per farm	Per hectare
(i) Short term investment	295	131.70	989	141.49	677	139.58
(ii) Long term investment	286	127.67	1,207	172.67	793	163.51
Total	581	259.37	2,196	314.16	1,470	303.09
(iii) Investment from:						
(a) Owned funds (savings)	310	138.39	1,736	248.35	1,095	225.77
(b) Borrowed funds (credit)	271	120.98	460	65.81	375	77.32
(iv) Amount & sources of credit:						
(a) Co-operative societies	116	51.78	184	26.32	154	31.75
	(43)		(40)		(41)	
(b) Commercial banks	—	—	179	25.61	97	20.00
	(—)		(39)		(26)	
(c) Local money lenders	87	38.84	65	9.30	75	15.46
	(32)		(14)		(20)	
(d) Grants & loans from govt.	68	30.36	23	3.29	45	9.28
	(25)		(5)		(12)	
(e) Friends & Relatives	—	—	9	1.29	4	0.83
	(—)	(—)	(2)		(1)	

Notes: 1. Short term investment means expenditure on HYV seeds, fertilizers, water etc. 2. Long term investment includes such expenditures as purhase of farm animals, machinery and equipments, etc. 3. Figures in parenthesis denote percentage to the total borrowings i.e. (iii) (b).

TABLE IV

Per Household Net Income and Consumption Expenditure

Particulars	Small		Large		Average	
	Per H.H.	Per Capita	Per H.H.	Per Capita	Per H.H.	Per Capita
Farm net income*	1,797	272.27	4,690	442.45	3,388	385.00
Non-farm income	—	—	336	31.70	185	21.02
Total net income*	1,797	272.27	5,026	474.15	3,573	407.02
Consumption expenditure	1,978	299.70	3,767	355.38	2,962	336.59
(+) Savings or (—) Dis-savings	—181	—27.43	1,259	118.77	611	69.43

*Net over paid-out cost. H.H. means household village itself through the hawkers. (Here they do not buy and sell goods but exchange them in barter.) Both types of farmers sold a major proportion to the village traders who come to the villages to purchase and carry it to the market. These traders take dual advantage. First, they lend their money at exorbitant rate of interest (ranging from 50 to 100 per cent) and second they recover it by purchasing the farm produce at much lower prices than the prevailing market prices. Hence, there is need to protect the farmers (specially small ones) of this area from the clutches of the middleman and ensure fair return for their produce.

Due to the absence of proper roads and adequate transport facilities the flow of information into this tribal community was considerably hampered. It was observed that in Tharu tribal community the role of rural elite (local leaders) as a source of agricultural knowledge was most significant irrespective of farm size (Table VIII). Mass media such as the radio had very little share in disseminating new ideas. Only 25 per cent farmers were in touch with extension staff.

From the above discussion it can be concluded that the adoption of new farm inputs was, in general, very low but small farmers were doing equally well as their counterpart large farmers. Per hectare investment was higher on large farms but borrowings per unit of land were higher on small farms. Commercial banks, which reluctantly extended their credit facilities to the Tharu tribal belt, were concentrating on larger farms only and did not consider small farmers creditworthy. Agriculture of both small and large farmers was of subsistence nature and not market-oriented. A large proportion of whatsoever they sold went through village traders/hawkers and hence received lower prices than the prevailing market prices.

Mass media such as the radio, newspapers, etc. had very little share in disseminating new ideas. The government extension agency was not much active and hence these tribal farmers, irrespective of farm size, were mainly dependent on their local leaders for agricultural information and innovations.

TABLE V

Crop Pattern and Productivity

Crops	Proportional Area* (%) Small	Large	Average	Yields Per Hectare Small	Large	Average
Kharif Season						
Paddy local (IR)	3.36	7.60	6.70	14.83	15.91	15.82
Paddy local (UIR)	52.16	58.83	58.27	10.06	10.77	10.63
Paddy HYV (IR)	8.34	0.22	1.08	21.72	27.50	22.66
Paddy HYV (UIR)	5.36	0.44	1.46	11.09	11.12	11.10
Maize local	12.12	5.62	7.00	5.34	7.27	6.57
Other crops	3.60	3.00	3.12	NA	NA	NA
Fallow	10.20	19.90	17.88			
Rabi Season						
Wheat local (IR)	1.50	4.16	3.62	10.13	10.45	10.43
Wheat local (UIR)	28.16	18.26	20.32	7.41	6.45	6.72
Wheat HYV (IR)	2.52	0.26	0.72	19.99	24.74	24.22
Gram	4.52	22.18	18.52	6.92	5.04	5.14
Lahi	12.06	1.66	3.83	5.26	7.14	5.38
Barley	8.22	2.33	3.59	5.14	6.13	6.66
Masoor	15.84	8.88	10.32	3.53	3.83	3.81
Wheat+Gram	2.52	1.80	1.96	3.95	9.28	7.81
Surarcane**	4.86	4.39	4.49	222.40	217.46	218.45
Other crops	0.66	0.90	0.84	NA	NA	NA
Fallow	19.14	35.18	31.80			
Total operated area	100.00 (2.24)	100.00 (6.99)	100.00 (4.85)			
Intensity of cropping	170.66	144.92	150.32			

Note: NA, IR, UIR and HYV denotes Not available, Irrigated, Unirrigated and High Yielding Varieties respectively. Figures in parenthesis denote operated area in hectares.

* Proportion of each crop area to the operated area has been computed to find the seasonal land use pattern. Hence total of each season will be one hundred.

** Since sugarcane is an annual crop and spans over both Kharif and Rabi seasons, its area has been accounted in both the seasons.

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TABLE VI

Proportion of Each Crop's Production Marketed and Its Share in Total Marketed Surplus on Farms

(Percentages)

Crops	Proportion of each Crop's Production Marketed			Share of Different Crops in Total Marketed Surplus		
	Small	Large	Average	Small	Large	Average
Maize	22.91	16.14	18.12	5.24	1.08	1.62
Paddy	22.66	43.89	39.61	61.14	65.69	65.10
Wheat	6.93	9.72	8.86	8.15	3.26	3.90
Gram	22.71	59.18	56.69	4.08	14.35	13.01
Barley	6.38	14.00	10.69	0.80	0.26	0.33
Wheat+Gram	—	38.79	33.59		1.23	1.07
Lahi	22.53	21.21	22.06	10.98	0.69	2.03
Masoor	40.00	58.89	53.17	5.24	4.29	4.41
Sugarcane	9.26	28.44	23.54	4.37	9.15	8.53
Total	NA	NA	NA	100.00 (389)	100.00 (2119)	100.00 (1342)

Note: Figures in parenthesis denotes value of marketed surplus (Rs.) over which percentages have been computed for that column.

TABLE VII

Disposal of Farm Produce Through Different Agencies

Agency	Small	Large	Average
Village traders	56 30	47.19	48.38
Haat	20.57	14.16	15.00
Hawkers	12.85	4.72	5.78
Mandi	10.28	33.93	30.84
Total	100.00	100.00	100.00

TABLE VIII

Proportion of Total Farmers Receiving Agricultural Information from Different Sources

(Percentages)

Source of information*	Small	Large	Average
Local leaders	78	73	75
Relatives	39	54	48
Extension staff	24	25	25
Radio	17	23	20
Other	11	9	10

*Many farmers were receiving information from more than one source.

WINDOW ON THE WORLD

Is it time for introspection?

E. B. Brook, London

The World Bank has not succeeded so far in obtaining funds for the fifth replenishment of its "soft affiliate", the International Development Association (IDA). Mr Brook is of the view that the future of the IDA will be decided at Kyoto, Japan, where 20 developed countries including the USA and West Germany will be meeting soon. The economic plight of some of the European countries and the slow growth rates in others are making the rich nations introspective, adds Mr Brook.

The Manila annual meeting of the International Monetary Fund has come and gone: everyone knows that the US Treasury is much more anxious to promote private investment through an international resources bank to exploit resources in developing areas with guarantees against expropriation than to assist with either welfare programmes or financing loans to enable industrially developing states to improve their position in the world of industrial commerce. In other words, after a period of apparant realisation of developing nations' difficulties the world seeks to turn back to the developing-exploiting activities that characterized most of the 19th and some of the 20th centuries.

The idea of an international resources bank had already been rejected at the fourth United Nations Conference on Trade and Development at Nairobi. That the United States raised it again at Manila after the rebuff in June suggests that the wealthy areas once again feel themselves to be sufficiently strong to suggest this idea as a bargaining counter in negotiations over raising World Bank capital. The issue of the bank's capital, together with the replenishment of its 'soft arm' affiliate, the International Development Association, which provides money to the neediest of the developing states on concessional terms, have become two predominant and contentious issues recently. A new injection of cash to the IDA is essential if it is to be able to continue operations after next summer. Everyone except the USA and Federal Republic of Germany has agreed to a fifth replenishment which would carry the IDA over the next three years to 1980 and that the sum should be about $9,000 million (£5,300 million), about twice as much as was injected to make up the last and fourth replenishment. The increase is needed to keep up with the rise in inflation.

So far, the USA has been unwilling to increase it contribution over the last level; its attitude and that of West Germany will be crucial at the meeting to be held soon at Kyoto, Japan, where about 20 countries will make clear their attitude and the amount of their contribution. Without some increase in the IDA's lending — which depends on increased contributions from the 20 fully-developed industrial states—the bank will become less valuable as a support to the world's poorest states in their commercial affairs. Since the bank itself has already made its terms of repayment rougher, a lending capacity not less than $ 60,000 million is necessary to enable it to centinue its functions. The issue brings up in sharp relief and in some conflict the positions of the developing states which seek financial help but insist on independence in handling it and those of some of the financing states, especially the USA, which wish the extra money made available to be spent on the development of world resources, many of which lay in the developing states' areas.

presidential election

Partly for this reason the outcome of the US presidental election, which largely settles the political complexion of the US Administration for several years, is of unusually great interest to the industrially developing countries directly affected and to the newer industrial states generally. The US Treasury under Mr Simon has turned a harder face to the less well-off states than has been seen for some time. Whether a Carter Administration would be much better in this respect than a continuation of the Ford Administration is scarcely predictable. Americans' interest in the wearisome election campaign is much slighter than usual; the issue appears to be one of almost equal chances. What matters to those outside, especially those who turn to the World Bank orto the IDA for assistance, is that the mood of the USA, which has nearly seven million workless and an economy expanding much more slowly than before, is inward-looking and the reverse of liberal. Its international attitude generally is one of steady stone-walling. As the US trade with west Europe diminishes under the Common Market's fiscal rules Europe, from West Germany westwards, finds the Americans more grouchy, less open and free-handed and with a distinct sentiment to withdrawal across the Atlantic.

The west European states themselves are growing more introspective. Everyone knows of the British misfortunes. But, deficits and an urgent need to borrow again internationally fail to make the British at the present time any more inward-looking than the French or the Germans. The French, whose President has just published a political treatise which gives them little guidance, are more concerned for their relatively healthy franc than are the British for their pound. The strong individualism of the Frenchman makes him a narrow thinker when times happen to be difficult. The Germans, whose vital foreign trade does not now grow to their satisfaction, are disgruntled by the slow development of west European unity, by the fact that their steel workers are moving over to short time and by the near political stalemate revealed by the election. Over all, there is an air of disenchantment which drives the European back on to himself and makes him a more difficult cooperator in seeking well-being beyond his own frontiers.

There is some consolation in the latest international economists' finding that the world is, at least, not steadily moving towards exhaustion through economic growth. The dismal conclusions of the Club of Rome, which published 'The Limits of Growth' in 1972, arguing that economic growth would exhaust world resources, are now contradicted by a UN resources study which claims to be based on a huge body of data showing that world resources will be sufficient to support a growing population and higher trading and living standards well beyond the year 2000. More importantly, the study gives strong support to the demands of industrially developing countries for "a new economic order", for reform of relations between industrially developed and developing countries to encourage economic growth. The study, financed by contributions from the UN Secretariat, the Ford Foundation and the Netherlands government, was conducted by an international team of economists. Some 15 economists from west and east Europe, from the USA, Japan and from leading industrially developing countries, are meeting in New York to plan specific measures to utilise the newly codified data. Whether it will remain just another intellectual exercise or find ultimately some place in governments' planning remains uncertain but it is an advance that at least economists' thinking has become a little less depressive.

Meantime, there are intense problems to solve soon. Foremost in west Europe is the problem of fisheries. All the western fisheries are imperilled by the vast-scale fishing by the east European states—as is Asia's by the vast fishing of Japan and China. The Market wishes to see a 200-mile zone around each member state into which this purely destructive fishing cannot come. Britain seeks a 50-mile zone for its own fishing just as Iceland has won its case for a 200-mile domestic zone for its fishing. Not only is it a matter for the survival of national fishing industries but for the survival of many species of fish and of fish in sufficient quantities.

In Brussels the British seek to keep the Common Market from reducing food subsidies, a major factor in keeping British domestic prices still relatively low despite recent inflationary increases. Embattled to defend its currency and embattled to preserve its fishing industry, Britain pins its hopes on its North Sea oilfields from which a million tons of oil are already flowing every month. The effect of this oil production could be dramatic over the next few years if its 100 million tons of offshore oil by 1980 becomes a reality.

British policy towards immigrants

Harold Hutchinson

The author discusses the British government's policy towards immigrants who number about two million at present and emphasises the fact that the immigrants and their children have been treated in the same way as the native British, and that they are equal and welcome members of British society. He goes on to state that a country has a limited capacity to absorb newcomers and that Britain is anxious not to go beyond that limit.

WHATEVER ELSE can be said about Britain, it is usually full of good intentions, and in the case of immigration into this country from the West Indies, Africa and Asia, the good intentions have been translated into practice.

Until about 20 years ago it never even occurred to the British that they would receive thousands of immigrants. We have a very long history of giving a home to political or religious refugees, and they have come over the centuries from all parts of Europe. They were welcome and so they gained, and we gained from them because they brought new ideas. They were absorbed into the communities they settled in within weeks.

But now we have about two million coloured citizens from the Commonwealth countries, and roughly 40 per cent of them have been born in Britain. It is all rather sudden, and the surprising thing is not that there have been some problems, but that there have been so few.

All of these immigrants and their children have from the first been treated at work, at school, by the social services and by the law in precisely the same way as the native British. The children, of course, speak with the British accents of the areas in which they were born. They are in every trade and profession, and some are distinguished in sport and in the theatre.

Prejudice has always existed for or against this or that particular belief, area of birth, accent, or whatever the human mind can invent. But the law is specifically designed to prevent discrimination based on colour, religion or sex, and to provide remedies if the letter or spirit of the law is violated. What the law can do, it does.

The fact that people who have never seen this country may be entitled to British passports and to enter the country as residents is a relic of the days of empire. For example, what about citizens of a former colony who were rejected when that colony became independent? Uganda is an example. President Amin decided to expel the Asians, who had been allowed, or encouraged, to settle there by the British because they could bring skills

Africa then needed. Some, certainly, could go back to India or Pakistan, but we had a moral obligation to provide a home for others. They had been British colonial citizens. We flew them in, cared for them, and they are now settled in Britain. That is just one example of either moral or legal obligations arising out of the past.

Our problem now is that Britain has about reached the limit of the numbers she can absorb—it is a general view, shared by immigrants themselves. Yet we do not really know just how many people might in the future have a claim to British citizenship. Indeed, the transformation of the empire into the Commonwealth has left so much confusion that new definitions of citizenship will have to be made, within the strictest sense of legal obligation.

We ourselves in the past have encouraged English-speaking immigrants, notably from the West Indies, to come to Britain because we had more jobs than people for many years. They came because there was work—at trade union rates of pay and conditions identical with the British—and because there were opportunities that did not exist at home. They have identical rights to vote, to apply for housing and to everything else. They also have the right — a most elementary human right — to bring their wives, fiancees children, or close dependent relatives.

The West Indians were followed by the Asians, who came because they had to do so—as in cases like that of Uganda—and, in other cases, because they sought the opportunities they could not find at home.

But the flow of immigrants became such a flood that the country had to impose quotas. The schools were finding themselves with large numbers of children who could not speak English. They could deal with smaller numbers. Housing authorities could not find enough homes, in conditions acceptable to Britain. For this is about the most densely populated country in Europe. Nothing about it bears the slightest resemblance to life in Asia or Africa. This is not a country of subsistence life, on the land or anywhere else.

So it is apparent that we shall have to know with reasonable certainty how many dependants of those already here are still to come. They may have to be regulated.

The commitment to total equality in a multiracial society is absolute. Both the government and the opposition insist that "immigrants in Britain are equal and welcome members of our society". But plainly even the most angelic countr simply could not absorb even a sma proportion of the population of Asia. I is just not possible. What is more, all ex perience says that a country has a limite capacity to absorb newcomers in harmony Beyond that limit harmony is imperille That is true anywhere.

We are anxious not to go beyond tha limit. The overwhelming majority o people, politicians, unions, local authorities and schools have done everythin within their power to ensure the integration of immigrants and their families i British society.

On the whole it has been successful Britain recognised that some could not adapt to British life or to the demands of an industrial world, or would become so homesick that they would become ill. For these reasons, the International Social Services of Britain—operated on behalf of the government—are authorised to give financial help to immigrants to return home, if that is what they really want, and they lack the means. In the last year only 76 families have sought this help.

Perhaps that shows better than anything else that Britain has been reasonably successful in making these immigrants feel at home.

Foundations of growth in Philippines

In this review of the economy of the Philippines prepared by the Asian Department of the International Monetary Fund, it is shown that the monetary and fiscal reforms introduced after the payments crisis of 1970 gave a push to economic growth. The real gross national product increased from an average of about five per cent in 1960s to about 6.5 per cent in the first half of the current decade. Perhaps the martial law declared by President Ferdinand Marcos four years ago has also resulted in improved management of the economy.

IN THE recent economic history of the Philippines, 1970 represents a turning point. For several years prior to 1970, the Philippines experienced slow and uneven development, largely associated with both domestic and external financial imbalance. Problems relating to development policy in the late 1950s and 1960s were exacerbated by excess demand in the domestic economy and an overvalued exchange rate. Deficits in the government budget that were financed through domestic credit expansion were the main cause of domestic imbalance. Attempts to halt the deterioration in the external position, such as the substantial devaluation of the peso in 1962, were soon frustrated by the failure to control domestic demand effectively. These developments culminated in an acute balance of payments crisis at the beginning of 1970, which served as a springboard for the adoption of a comprehensive stabilization programme coupled with a reform of the exchange system.

The programme included a substantial tightening of fiscal policy and restraints on domestic credit expansion to eliminate excess demand. To restore external balance, the Peso was allowed to float and subsequently depreciated substantially; export incentives were also introduced. In the following years, steps to liberalize import restrictions and interest rate ceilings were taken, as well as measures to increase tax revenues and infrastructure investment by the public sector.

Early in 1976, a three-year programme was introduced under the extended Fund facility, with the principal objective of reducing inflation to an annual rate of seven per cent while maintaining a growth rate of seven per cent and achieving external balance by 1978.

The growth of real gross national product (GNP) rose from an average of about five per cent a year in the 1960s to about 6.5 per cent in the first half of the 1970s. During the latter period, development accelerated in the industrial sector, and the share of mining, manufacturing, and construction in net domestic product increased from 24 per cent in 1970 to over 27 per cent in 1975. At the same time, the share of fixed investment in overall expenditure rose from about 18 per cent to an estimated 24 per cent. The growth of agricultural output had been lagging, and the share of agriculture in net domestic product had fallen to about 28.5 per cent in 1975. Nevertheless, the economy remains heavily dependent on the agricultural sector both for employment and for foreign exchange earnings. In 1974, 56 per cent of the work force was in agriculture, and the two major export crops (sugar and coconut products) accounted for about 27 and 20 per cent, respectively, of total exports.

price rise

Consumer prices rose at an annual rate of between 10 and 15 per cent during 1970-73. The rate of inflation accelerated to 34 per cent in 1974, owing to both domestic shortages and rising import prices, but was cut to 8 per cent in 1975.

The Philippines is a relatively open economy, with imports constituting more than 25 per cent of GNP. Consequently, it is sensitive to cyclical demand and price developments in industrial countries. Exports benefited strongly from rising international demand and high commodity prices until mid-1974, but their growth then dropped substantially. Import payments nearly doubled in 1974, partly because of increased payments for oil. They rose further in 1975, and the balance of payments deteriorated sharply. External debt outstanding (excluding short-term debt of the banking system) rose from $2,019 million in 1970 to $3,357 million in 1975. The ratio of debt service payments to goods and services export receipts in 1975 was about 15 per cent. From the early 1950s until the end of the 1960s, the authorities focussed their development strategy on import substituting industrialization, to the relative neglect of the agricultural sector. Controls were imposed on imports, relatively low tariffs were levied on capital goods and other industrial inputs, fiscal incentives were provided for industrial activities, and domestic interest rates were kept low. The exchange rate was maintained at an overvalued level. The ensuing price distortions and structural maladjustments tended to depress overall growth and aggravate unemployment and unequal income distribution.

The import substitution strategy in the era before 1970 favoured a trend toward the production of non-essential consumer goods. At the same time, manufacturing production became more capital intensive and increasingly dependent on imported producer goods. Once the limits of the domestic market were reached, the industries established within this protective framework were unable to sustain a significant expansion of output; coupled with the inadequate emphasis on agriculture, this slowdown in output contributed significantly to the balance of payments difficulties. By the end of the 1960s, a major balance of payments crisis had necessitated a shift of priorities toward the promotion of export industries.

The measures to encourage exports included a variety of fiscal incentives and preferential credit arrangements to exporters. The abandonment of the overvalued exchange rate was fundamental to this strategy. Under the managed floating exchange rate system introduced in February 1970, the exchange rate of the Philippine peso in terms of the US dollar moved from an initial value of P3.90 to the dollar to P6.8 to the dollar by April 1972, a devaluation of 43 per cent. During 1975, the peso depreciated by a further 6.5 per cent to P7.50 per dollar. Since then, the peso has remained relatively stable at P7.4 to P7.5 per dollar.

While traditional agricultural-based exports have continued to dominate export earnings, promotional policies have led to considerable growth in non-traditional exports, such as labour-intensive manufactured and semi-processed goods. Simultaneously, with the policy of export promotion, import restrictions were liberalized and tariff reform was begun.

Between 1948 and 1970, the population of the Philippines grew at an average rate of over 3 per cent a year. The Philippine labour force grew at an average annual rate of 3.4 per cent in the first half of the 1970s. Statistics indicate that real wage rates have declined significantly during the past five years. High population growth and full employment goals have thus tended to depress real wage rates. Policies to render the trade-off between real wages and employment more palatable have approached the issue by both increasing productivity and, in the longer term, decreasing the rate of population growth.

Various measures to increase productivity have been taken. Tax and credit

Philippines : Monetary Aggregates

(End of period : million pesos and annual percentage change)

Year	Money	% Change	Quasi-Money	% Change	Deposit Substitutes[1]	% Change	Total Liquidity	% Change
1970	4,660	9	4,691	14	—	—	9,351	11
1971	5,399	16	5,415	15	992	—	11,806	26
1972	6,797	26	5,401	0	1,300	31	13,498	14
1973	8,152	20	6,754	25	4,246	326	19,152	42
1974	9,007	10	7,765	15	7,470	76	24,242	27
1975	10,315	14	8,939	15	9,632	29	28,886	19
1976[2]	10,715	8	11,065	53	10,531	19	32,312	25

[1] Prior to 1971, deposit substitutes were included in "other liabilities".

[2] Data are from end-June 1976; rates of change are on an annual basis.

Data : Philippine authorities and Fund staff estimates.

Inventives have been provided to stimulate investment in smallar-scale industry. Improvements are also being made in the rural infrastructure—in particular, road construction, electrification, and irrigation. A programme of land reform is also expected to spur productivity.

Policies to match education with development needs have been initiated, with an increase in vocational training. Included are manpower training programmes now under way in the rural areas under the administration of the National Manpower and Youth Council. Since 1970, the government has been actively involved in population control. By 1974, over 2,000 clinics offered family planning services, and the programme coverage had increased to one-fifth of the eligible population.

After an unambitious agricultural policy in the 1960s and a slow growth of the agricultural sector in the period 1970-73, a number of schemes to increase agricultural output were introduced. The Masagana 99 programme for rice production, launched in May 1973, requires farmers in the areas covered to use a recommended production technology based on modern agricultural inputs, such as high-yielding seeds, fertilizers, and pesticides, under the supervision of an agricultural extension worker. The purchase of the inputs is financed through the Central Bank's supervised credit scheme. The Palayan ng Bayan project was set up to encourage the cultivation of staple crops on idle lots and virgin land. Subsidies of between 40 and 50 per cent of the market price are available for fertilizers used in the production of food crops. Support prices for producers, set by the National Grain Authority, encourage production.

The land reform comprises two types of programmes. Under Operation Land Transfer, land holdings of more than seven hectares used for rice and corn production are being broken up and transferred to tenant farmers. By December 1976—the target completion date—about 390,000 hectares are scheduled to be transferred to some 184,000 tenant families. Under the leasehold programme, tenants on land holdings of seven hectares and less are given leasehold tenure. Completion of this programme, involving almost 600,000 tenants and some 800,000 hectares of land, was initially projected for 1980 but is now expected by the end of 1978.

Within the seven per cent average GNP growth target, the industrial sectors—mining, manufacturing and construction are expected to grow much faster than other sectors. The government will play a relatively more important role in the substantial increase of the ratio of fixed

Philippines : Balance of Payments

(million U.S. dollars)

	1970	1971	1972	1973	1974	1975	1976[1]
A. Merchandise trade (net)	—7	—38	—122	275	—449	—1,196	—532
Exports f.o.b.	1,083	1,148	1,108	1,871	2,694	2,263	939
Imports f.o.b.	—1,090	—1,186	—1,230	—1,596	—3,143	—3,459	—1,471
B. Services and transfers (net)	—23	47	133	246	242	273	20
C. Current Account (net) (A+B)	—30	9	11	521	—207	—923	—512
D. Non-monetary capital (net)	34	—20	67	143	317	402	291
Medium-term and long-term loans	133	35	140	71	145	357	267
Direct investments	—28	—4	—22	64	28	125	22
Short-term capital (including errors and omissions)	—71	—51	—51	8	144	—80	2
E. Allocations of SDRs	19	17	16	—	—	—	—
F. Overall balance (A through D)	23	6	94	664	110	—521	—221

[1] January through May 1976; preliminary data.

investment to gross national expenditure. Public sector investment will be dominated by projects in the power sector, involving the exploitation of hydroelectric and geothermal resources as well as the construction of two nuclear power plants. This reflects a new priority, set after the oil crisis, for reducing the dependence of domestic industry on imported oil. Private investment will include a number of large, capital-intensive projects (in particular, a steel plant, a petro-chemical complex, and an aluminium plant), together with numerous smaller-scale, export-oriented investments. These projects, along with faster growth of output in the agricultural sector—based on the completion of the land reform programme, irrigation and rural infrastructure projects—will absorb most of the increase in the labour force. To support the financing of the planned increase in public inevstment for infrastructure. fiscal policy reforms will be necessary. These would include a gradual rise in the ratio of tax revenue to GNP, a decline in the proportion of revenue absorbed by operating expenditures, and substantially greater financing of investment from foreign and domestic non-bank sources, thereby limiting recourse to bank credit by the public sector.

increased revenue

Most of the tax reforms for 1976 were introduced at the end of 1975 or early in 1976. Excise tax increases on luxury items and petroleum products and a package of additional energy-oriented taxes are expected to result in significantly increased revenue during 1976. Action commenced early in 1976 toward a restructuring of fiscal investment incentives for export-oriented and labour-intensive industries and toward removing some market distortions in administered prices.

Monerary policy also has an important role in the current development programme for use in overall demand management, mobilization of domestic savings through the banking system and allocation of credit to priority sectors. Principal instruments of demand management are the issue of and secondary operations in central bank certificates of indebtedness, rediscount and repurchase agreement operations, and changes in reserve requirements. Improvement in mobilization of domestic savings is to be encouraged by the spread of rural banking, the liberalization of interest rate ceilings on deposits, and improvements in the structure of money and capital markets in the Philippines. In addition, measures to encourage the growth of financial instruments of longer maturity should ease financing for private enterprises. The allocative role of the monetary authorities is generally conducted by concessional central bank rediscounting, but more stress will be placed on supervised agricultural credit and subsidized loans through the Development Bank of Philippines.

encouraging performance

Price performance in 1976 has been encouraging. Consumer price inflation, targeted to remain within a seven per cent annual limit in the period 1976-78, has stayed well below 6 per cent a year in the first half ot 1976. Import prices have been lower than expected and have offset the temporary increase in food prices caused by typhoon Didang. Lower price inflation has brought relief to wage earners who suffered considerably real wage declines in the high inflation period of 1973-74. Further redress of the inequities caused by inflation was introduced in May 1976 when the authorities both expanded the coverage and increased the levels of minimum wage rates.

Despite the fact that sugar exports in the first part of 1976 were less than had been expected, projections by Fund staff and by the Philippine authorities indicate a decline in the overall balance of payments deficit from $521 million in 1975 to within $370 million in 1976. This improvement is expected to continue through 1978, by which time overall external payments and receipts would be in modest surplus. Financing of the development programme, however, will require both domestic and foreign savings; consequently, current account deficits are expected to persist through 1978. Developments in the manufacturing sector should result in accelerated and more diversified export growth. Exports of non-traditional manufactures, in particular, are projected to grow at close to 25 per cent annually. In the first half of 1976, this target was easily surpassed. The ratio of debt service payments to receipts from export of goods and services is expected to remain at around its 1975 level of 15 per cent.

oil resources

Looking further ahead, the prospect of large oil resources in the Philippines must be taken into account. Last March, oil was discovered west of Palawan, and in August a second strike was made in the Reed Bank. Should the next few months prove these finds to be large enough for profitable extraction, all longer-term projections of output, growth and investment would need to be raised.

The offshore banking facility, planned for later this year, will enhance the growth of Manila as a financial centre in south-east Asia, and this could draw increased attention of foreign investors.

Total World Bank lending to the Philippines through June 1976 totalled about $950 million of which $35 million had been International Development Association credits in 1972-74. During the 1960s, World Bank assistance averaged about $30 million a year, but in response to the greatly improved economy of the Philippines it has increased substantially during the 1970s and has averaged more than $200 million a year in 1974-75. Lending commitments in the 1976 fiscal year totalled $268 million, including $35 million under the Third Window.

The Philippines has had several annual stand-by arrangemants with the Fund and has also obtained financing from the compensatory financing facility for export fluctuations and from the oil facility. Since the beginning of 1970, the country has drawn a total of SDR435 million. At the end of July 1976, outstanding drawings for the Philippines amounted to SDR 68 million under regular facilities, SDR78 million under the compensatory financing facility, and SDR 152 million under the oil facility. Under the extended Fund facility the Philippines is entitled to draw up to SDR217 million.

BOOKS BRIEFLY

Problems of plan administration

Reviewed by
Academicus

Economics, Planning and Public Administration : P.R. Dubhashi; Somaiya Publications Pvt Ltd; Pp 153; Price Rs 35.

An Introduction to Labour Laws : F.L. Berarwalla; Vora & Co Pvt Ltd, Bombay; Pp 265; Price Rs. 25.

Government Systems and Development : V.A. Pai Panandiker; Popular Prakashan, Bombay; Pp 124, Price Rs 20.

Management by Objectives : S.K. Chakraborty; Macmillan Co of India Ltd; Pp 335; Price Rs 45.

Essays in Contemporary Economics : Edited by P.C. Jain and D.N. Chaturvedi; Vikas Publishing House Pvt Ltd; Pp 292; Price Rs 45.

Key Areas in Materials Management : Edited by S.L. Sen and A. Rath; Management Development Institute, New Delhi; Pp 104; Price Rs 20.

P. R. Dubhashi is an academician-cum-administrator of extraordinary ability. Though engrossed with heavy administrative duties, he has been managing to keep in touch with the latest developments in the field of academics as is evident from his book *Economics, Planning and Public Administration*, which is a collection of 14 articles on various problems and aspects of economic administration published from time to time in various journals in India. The articles continue to be of great significance to administrators and will continue to hold their attention for years to come and therefore the author has done well to present them in a book form.

The articles in this volume deal with problems such as relationship between economics and public administration, decentralisation, economic systems, problems of management of economic systems, the role of bureaucracy in socialism, management in implementation of the Plan schemes, district planning, development agency for small and marginal farmers, various recommendations of the Administrative Reforms Commission to bring about improvements in the administrative systems in India and so on.

The author begins by pointing out that "The recognition of Public Administration as a social science in its own right is a matter of recent growth." While the doctrine of neutrality of public administration is analogous to that in economics, he has, however, pointed out that "as in Economics, in Public Administration also ...political neutrality should not mean neutrality towards ends and objectives of, say, welfare state or the socialist pattern of society." The concept of civil service neutrality needs, therefore, to be reformulated in the context of political and social conditions. The author believes that a civil servant can be enjoined to be faithful to the objectives as laid down in the constitution and to the legislation, policies and programmes derived therefrom in whose formulation he would have his share as an advisor to the political executive. This is, according to the author, "his professional neutrality which does not take away anything from the doctrine of political neutrality."

The author has analysed the subject of decentralisation in great detail and at a high academic level. According to him, the concept of decentralisation lies at the heart of major controversies between planning and price mechanism, between collectivism and individualism, between federal and unitary constitutions, between state control and local autonomy between 'the small community' and 'the great society'. Having analysed the various issues involved in decentralisation, he has come to the conclusion that when democracy and planning are combined in a country such as India which has accepted a mixed type of economy, that would require a federal constitution with unitary features, central-state partnership, state-local partnership, central policy direction with local implementation, planning from above combined with planning from below, and mixed economy with both public and private sectors. It would be difficult to quarrel with the author's prescriptions for India where central planning will have to be combined with a certain amount of decentralisation.

essential attributes

According to the author, the essential attributes of democratic socialism which has been accepted by India are : government based on free and fair elections, liberty to citizens of thought, expression, association and voting, social control and ownership of the means of production through nationalisation, cooperativisation and workers' councils, and preservation of the liberty of consumers and workers, though not the freedom of private enterprise.

The author has also analysed the concept of mixed economy as the one which has side by side the private, public and cooperative sectors. What about the line of demarcation of spheres? According to the author, "It is of the highest importance to the management of the mixed economy that we get rid of purely ideological or doctrinaire considerations and evolve a systematic base of productivity criteria for a comparative assessment of public, private and cooperative sectors of the economy, so that decisions regarding the earmarking of the economy as among the three sectors are not taken with eyes blood-shot and minds fogged with passion but with deliberate, clear and conscious awareness of the alternatives involved."

Writing on planning and discussing as to whether planning is a political choice or economic arithmetic, the author has defined planning in the widest sense as "orderly arrangement of the future." He has emphasised that it is important for the success of a planned economy that a detailed attempt is made to distinguish issues of political decision from those of an objective and rational economic analysis. This means in other terms planning is or should be a combination of both political choice and economic arithmetic.

scientific management

The articles in part III should be read by all public servants. The author has pointed out that the importance of scientific management and its relevance to public administration have of late started receiving special attention in India. Thus almost all the techniques of scientific management like budgetting, reviewing, reporting, controlling, delegating and supervising find useful application in the management of public administration. He has also emphasised the importance of developing management outlook and innovative abilities in public servants. The greatest obstacle to the transformation of public administration is psychological. This will have to be overcome and public administration will have to be made development oriented. The best way to do this, according to the author, is to develop in it the motivation for identification with the goals of public administration. He has emphasised that in a democratic socialist state, the incentive to bureaucracy should not depend upon its seeking political favour but on the fulfilment of plans.

Dubhashi's articles on the implementation of Plan schemes are admirable and worth a careful perusal especially by those who are concerned with the task of transforming the traditional bureaucratic machinery into an effective developmental instrument.

The author has, for example, shown how "a big gap exists between planning at the centre and plan implementation in the field". He believes that "vast efforts are needed to gear up the machinery at all levels so that it functions like a single line of command and obedience." Apart from arbitrary targets and absence of preparatory work ahead of actual implemention of schemes, and absence of a regular system of reviewing and reporting, the author has shown how at the operational level "the plan scheme is fragmented and its implementation is ad-hoc and not through a series of regulated, well-measured sustained activities geared to common activities."

district planning

Also, while there is talk of district planning, the author believes that the necessary technique of district planning is not yet adequately appreciated. "Concepts like a market and demand analysis, factors governing size and location of enterprises, an income and expenditure budget, a break-even analysis, a cost-benefit analysis, time-scheduling and scientific organisation and prefessional management relating to each enterprise have not yet found place to an adequate extent in district planning." No wonder in the absence of a proper 'design of development' for the district, its implemention is tardy !

P.R. Dubhashi writes with ease, aplomb and authority born out of actual administrative experience at different levels. This distinguishes his writingfrom mere bookish treatises of pure academicians and dry as dust analysis of administrative structure by mere bureaucrats. The reviewer can however make one or two suggestions. While the large number of quotations from various authors certainly show his scholarship and his attempts at continually up to-dating it, instead of embellishing his writing, they appear like shackles in his otherwise easy and smooth analysis. If Dubhashi's writing must be flawed this is what a critical reader would feel.

It would be a tremendous service, if the author can write a complete book on the subject of plan implementation and public administration. He certainly has the experience, analytical ability and style. If he can do that, he will be rendering a great service to the cause of planning, plan-implementation, and bureaucracy itself which has failed so far to brace itself up to the new and challenging situation created by the adoption in India of economic planning to achieve the goal of democratic socialism.

LABOUR LAWS

Labour legislation has made great strides in India after Independence. The underlying theme of all the labour legislation in India appears to be to promote better employer-employee relations, to bring about industrial peace, to promote job security and social insurance and to improve working conditions and living standards of the working classes in India.

F.L. Berarwalla, in his *An Introduction to Labour Laws*, has attempted to explain the Industrial Disputes Act, 1947, the Workmen's Compensation Act, 1923, the Payment of Wages Act, 1936, and the Bombay Industrial Relations Act, 1946. The above acts form the backbone of the labour legislation in India. The reading of the book gives a fairly clear picture of the existing labour legislation in India and the trends in which such legislation is moving. It must however be understood that the book is written entirely from the legal point of view and the author has not at all aimed at working out the economic implications of the various labour laws.

The policy of the state for securing the directive principles in article 39 for distribution of the material resources of the community so as to best subserve the common good and avoiding the concentration of wealth and means of production to the common detriment has become more purposeful. Naturally this has resulted not only in an increase in legislative measures but new concepts of industrial adjudication have also been evolved. As the National Commission on Labour has stated, "a rational synthesis between conflicting claims of employers and employees is being gradually evolved."

In the case of modern industrial laws, it is the security which is the keystone, namely security of job, of the minimum standard of living, and of the worker's future and that of his children. The claim of the industrial workers to association and collective bargaining has been admitted essentially as ancillary to their claim of social security and minimum amenities of life. The process of collective bargaining and collective agreements have come to be encouraged by modern democratic states. As Prof Kahn Freund has pointed out, the two aspects of collective industrial law are "the law of industrial peace and the law of industrial welfare".

According to the author, the Industrial Disputes Act, 1947, is the nucleus which along with other analogous state statutes, provides "the machinery for regulating the rights of employers and of the employees to lock-outs and strikes and foster the investigation and settlement of industrial disputes in peaceful and harmonious atmosphere by providing scope for collective bargaining by negotiation and mediation, and failing that by voluntary arbitration or compulsory adjudication by the adjudicatory authorities created under them with the active participation of the unions." While adjudicating, the adjudicators and courts have, it is found, ordered wage and gratuity schemes, awarded bonuses and dearness allowance, introduced other fringe benefits, regulated hours of work, overtime payments, and also introduced various other welfare and security schemes. But according to the author, while industrial adjudication has managed to keep away from doctrinaire concepts and has based its decisions on mostly practical considerations, it has become difficult to evolve uniform and settled legal principles.

important result

The author has rightly pointed out that one important result of the state intervention in the settlement of industrial disputes has been the failure of the collective bargaining process as the normal method of settling industrial disputes. This is rather unfortunate because collective bargaining is the best method of solving industrial disputes and promoting industrial peace.

It is also obvious that for effective collective bargaining, the trade unions in the country must be properly organised and they must be self-reliant. According to the author, though the Trade Unions Act, 1926, gave formal recognition to workers' right to organise and also encouragement to their further development, the 1947 amendment for compulsory recognition of trade unions has yet not been enforced due to strong opposition from within the government itself. It should be remembered that the power of a trade union depends upon proper organisation, right leadership, adequate financial resources and adherence to genuine trade union principles and methods, rather than on mere lengthy list of membership. There appears to be no doubt that compulsory government adjudication of industrial disputes which has replaced collective bargaining which could have strengthened healthy trade union movement in the country has actually led to its weakening. The author has opined that "A healthy trade unionism will not only benefit the workers but it will equally benefit the industry, the employers and the society at large as well."

The author has analysed in great detail and section by section the four important labour laws referred to above. Very often the legal implications of some of the important sections and even clauses have been made explicit by detailed references to various case studies and the views that were taken by the adjudicating authorities. While for legal practitioners the purely technical aspects of the various labour laws which are analysed here would be of interest, for a layman these cases appear very interesting and illuminating. All in all, though the author has not worked out the economic, political and social implications of the various labour laws, the reading of the book definitely gives to the students of economics an idea regarding the direction in which labour legislation in India is moving.

DEVELOPMENT ADMINISTRATION

The Indian Council of Social Science Research requested V.A. Pai Panandiker "to prepare a proposal for the sponsored research programme on governmental system and development." The idea behind this was to launch a broad programme consisting of a series of projects during the fifth Plan period centring around key academic and policy issues in the field. It was presumed by the sponsoring authority that such work would help the development of public administration in specific areas of importance and at the same time help solution of some of the real life-problems. *Government Systems*

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and Development is the outcome of this effort.

There is no doubt that in the post-planning period, the field of governmental systems has attained a great deal of attention. The importance which the government attached to this field is evident from the appointment of the Administrative Reforms Commission which was asked to suggest ways and means to make "the public administration of the country a fit instrument for carrying out the social and economic policies of the government and achieving social and economic goals of development."

According to the author, literature on various aspects of governmental activities in the developmental sphere is fairly voluminous. But, according to him, there are many difficulties in the way of substantive development of the field. One reason is the vastness of the field of research. Except for law and a few traditional functions like tax collection, almost all other functions performed by the government are generally subsumed under developmental functions of the government. These are as vast as the government itself ranging all the way from relationship of the executive with legislative and judicial institutions to policy-making in the substantive areas of the government, implementation, public sector administration, state administration, urban administration, rural development administration and so on.

fixing priorities

According to the author, there is a good case for studying all the above areas of administration in detail. And yet because of constraint of resources, both financial and of research personnel, some fixation of priorities for research work becomes necessary. According to him, the criteria for the selection of priorities of areas of research should be factors such as social relevance of the area, criticality of the area of research to administrative performance, likely benefits to people and possible expenditure involved.

On the basis of the above criteria for determining research areas in the field of developmental administration, the author has decided the following areas as fit for prioritization during the period of the fifth Plan: (1) policy making in development; (2) bureaucracy and development; (3) public sector as an instrument of development; (4) citizen participation in development, and (5) rural development administration.

Having chalked out the main areas of research in the administrative field, the author has pointed out various aspects of each field that need attention of social science researchers. For example, in respect of policy making in development, following aspects assume significance: What are the overall development goals of society? How are the goals and objectives set? Who are the parties that set the goals and objectives and through what process? What is the institutional structure for policy making at various levels—central, state, local?

critical aspects

As regards bureaucracy and development, since bureaucracy retains a central place in development administration, several rather critical aspects of bureaucracy need to be studied in detail. Some of these aspects are: How is the bureaucracy organised for development tasks? Who are the people manning development bureaucracy? What is their level of skill and competence? What is the attitude of the bureaucracy towards the tasks of development entrusted to it and towards the citizens? Can bureaucracy become an instrument of change and development?

As regards public sector as an instrument of development, the author has pointed out the following areas of research: Policy governing public sector in the Indian economy, development programmes and growth of the public sector, personnel policies in the public sector, extent to which public sector has become an instrument of development, and citizen participation in development.

As already stated, citizen participation in development should be an important area of social science research. If development is in the ultimate analysis a process of social change, then the entire process of citizen participation in the administration of development becomes a matter of basic policy concern. Of th several aspects of research, the followin have been pointed out by the author a needing immediate attention of resea chers: Role assigned to citizens i development, citizen preparation fo participation, modalities of participatio institutional structure for citizen partic pation and administration's attitude t citizen participation,

rural development

As regards the area of rural develop ment administration, the author ha rightly pointed out that in a countr where eighty per cent of the populatio lives in the rural areas, rural developmen administration assumes prominent plac in the governmental system. The followin aspects assume importance: Rural deve lopment policy, political and bureaucrati interference in rural administration especially panchayati raj institutions relationship between rural and state administration, and financial powers and resources of rural administration.

An extremely useful part of the book is a fairly exhaustive cataloguing of the research work done by Indian scholars in the above areas of public administration. This would be found extremely useful as reference work by prospective research workers. But the author is of the opinion that most of the research work done so far by Indian researchers in these areas is of descriptive nature and not research in depth.

The author has done well to point out specific areas for research. It is possible to disagree with him on priorities and it is also possible to add several aspects for research not pointed out by him. Also, the author should have included in a separate list research book done in some of the above areas by foreign authors —(such as by Guy Hunt whose excellent works were reviewed in these columns long back)— as that would have been extremely useful to the Indian researchers.

With all the possible and inevitable shortcomings in a book of this nature, Pai Panandiker has rendered a great service to the cause of social science research by publishing this work which will come very handy to all the budding as well as experienced social science research workers in India.

MANAGEMENT

S.K. Chakraborty has made an attempt in this book *Management by Objectives* to help the people concerned with managing of any organised activity "to acquire an intelligent understanding and some working knowledge of the basic tenets of Management by Objectives (MBO)". The author had however emphasised at the very outset that MBO is not an open sesame leading automatically to managerial millennium. It is certainly not a neat formula. On the other hand, MBO is a whole process with all its implications for all the parts of an organisation, including of course the ubiquitous human element which is the basis of all organisations.

The author has made an attempt to place MBO in an integrated framework along with several other existing management approaches and functions such as performance appraisal, corporate planning, budgetary control, organisational development and so on. Since practically no empirical data about MBO exists in India at present, a large part of analysis in this book is *a priori* in character, using the postulates of MBO and placing these alongside some prominent features of the Indian socio-cultural milieu and the needs of Indian industrial manangement in the immediate future.

MBO is defined as a result-oriented, non-specialist operational managerial process for the effective utilisation of the material, physical and human resources of the organisation, by integrating the individual with the organisation and the organisation with the environment.

Considering the factors underlying the emergence of MBO, it represents a stage in the dialectical process which management thinking seems to have undergone from the early 20th century to the present times. The scientific management school (of Taylor), the classical organisation theory (of Fayol) and the economic theories of perfect market all left out of consideration the human element and the individual in management of the economic activities. It was all organisation and its goals and objectives.

In the second stage, with the human relations school (1930s), the pendulum seems to have swung to the other extreme. Now it was all individual and his goals and objectives. From these stages, the next stage, by the dialectical process, was the stage of synthesis between the organisation and the individual. Organisation tasks have got to be executed and its goals have to be attained; but at the same time the individual has to be afforded opportunities of improving himself and fulfilling his aspirations within the organisation. MBO approach to management is "an operational methodology for realising this synthesis in the dialectical progression of management thinking."

Thus in a dynamic business enterprise, the purpose and objectives of the enterprise are widely known in the organisation and these are accepted by all the members who man the organisation. At the same time the members of the organisation have individual goals which harmonise with the goals of the organisation.

cogent reasons

According to the author, there is great need of MBO in India. The reasons for this are the recession which set in since 1966 and which is still haunting some industries, gradual disappearance of sellers' markets, the gradual emergence in India of what Galbraith called the 'techno-structure', the need of having direction during the period of uncertainty and change which characterise the Indian industrial scene, and finally the qualitative change which has come over the industrial management in the country.

The author has made an attempt to deal with some of the practical problems when preparing to launch MBO and its detailed implementation down the line. He has discussed in detail attitude survey which is one of the popular techniques of MBO.

Systematic efforts should be made in the organisation for disseminating the concepts and philosophy underlying MBO. Effective team-work is a basic requisite of MBO. Since this approach entails a lot of intra-group, inter-group and inter-personnel communication, certain amount of group dynamics or sensitivity training is absolutely essential. Only thus can receptive ground he prepared for the launching of MBO.

According to the author, the impetus for MBO in Indian organisations could arise from the following organisational needs: need for rational performance appraisal, for sounder basis of management development, for higher productivity and production, for integrated long-range planning within the enterprise, and for clearer understanding of one's job within the organisation and how these relate with those of others.

Business management is a new subject attracting considerable attention in India at present. Attempts are therefore being made to build management science in the country. Two rather unfortunate trends are visible in this respect. Extremely sophisticated techniques developed and found useful in the highly developed countries of the west are being copied indiscriminately in the country without much regard to their applicability and usefulness. Secondly, management science makes an attempt to take in its one sweep a subject which is too vast and with variegated aspects. The result generally is that mostly you get something nebulous, indefinite and vague. MBO will have to aim at objectives that are definite and within reach and build up a scientific apparatus that would really help entrepreneurs in India to attain the objectives. One is afraid the book under review has failed to give something tangible and useful to business entrepreneurs in the country.

CONTEMPORARY ECONOMICS

Essays in Contemporary Economics is a commemorative volume in honour of J.K. Mehta one of the senior and eminent professors of economics in India. Prof Mehta served for long in the university of Allahabad from where he retired in 1963. Though most original among the Indian economists, he did not attract the attention he deserved. Possibly this was the price he paid for being non-traditional and for refusing to blindly follow the western economists who have always dominated the Indian economic thinking on the theoretical side.

J.K. Mehta's greatest contribution has been his theory of 'wantlessness'. This does not mean that a man should try to obliterate his wants to the maximum possible extent. What Mehta means is that everyone should satisfy his minimum wants, but additional wants should be satisfied only after additional resources become available. It is no use multiplying wants indefinitely as that would make man only miserable. This is the essence of the theory of wantlessness (a rather unfortunate word liable to misrepresentation and give false ideas about the thinking of J.K. Mehta). Resource-use has an upper limit and no matter how busy we get, we must ultimately seek to relax more and more. And therefore why not relax through 'wantlessness'? Economists like Ragnar Frisch have come to believe in this oriental cultural point which the western countries will have to learn and adopt one day.

questions raised

Mehta has made a number of original contributions. He raised many questions, if not for the first time, at least independently. Thus "when on the same curve we compare the utility of one amount of (a combination of commodities) with that of another...we do know that the utility of such and such amount is equal to the utility of such and such other amount. It is precisely on such comparisons that Marshall's theory is built." This implies that the neglect of Marshall by the indifference curve analysis is not justified.

To Mehta want exists when the presentation of the object of want generates an agreeable feeling; this plus a desire to purchase the object makes up 'demand'. His distinction between 'conscious' and 'unconscious' wants and analysis thereof led Weekstein to formulate 'Consumption Effect' in 1962.

To Mehta cycles are endogenous phenomena, and in the final analysis all changes must be cyclical. Simultaneous operations of endogenous and exogenous factors give us a mixture of cycles—a mixture of cycles within cycles including the cause of a cycle superimposed on growth (itself a cycle) trend. According to him, we must get rid of erratic and haphazard changes and control the regular cyclical changes.

Mehta also threw light on the problem of long-period cost curves—their shapes, and the distinction between ex-ante and ex-post cost curves. Joan Robinson has noted that Professor Mehta also independently arrived at the concept of marginal revenue. Also, it is his independent way of thinking that led to the new concept of elasticity of substitution.

important contribution

Among his various publications, Mehta's 'Philosophical Interpretation of Economics' is very important about which G.L.S. Shackle wrote: "This is a beautiful, moving and most deeply interesting book and it is superbly well written. It deserves to become a classic."

There are some very interesting eassys by eminent economists in this volume. Writing on the scope and method of political economy G.L.S. Shackle writes: "The mathematisation of economics was inevitable, once the economist had perceived that economising—the use of given resources to the best effect—was a problem for which differential calculus offered a readymade method of the utmost versatility." Writing on wantlessness, P.C. Jain has emphasised that "the assumption of rationality makes it necessary for the consumer not only to satisfy his wants but also, at the same time to reduce the wants themselves." It appears that the western thought confined itself merely to choice between alternative goods and services in order to maximise satisfaction and has, by and large, ignored the possibility of rationalising the wants themselves with a view to achieving maximum happiness. It was this neglect that was made good by J.K. Mehta in his theory of wantlessness.

P.D. Hajela has emphasised that normative economics (advocated J.K. Mehta) is as much a living and challenging issue for economists as quantification. The author has justified the assumptions made by J.K. Mehta, in which case the conclusion arrived at (namely wantlessness) stands justified. In this country at any rate, for quite some time to come, the multiplication of the means of production and consumption (and not of human wants) appear to be the only proper assumption for the economic analysis and policy. What, after all, is there for millions and millions of the underfed and undernourished people? Thus the author has emphasised that "a few affluent individuals should minimise their wants while the vast majority of the poor should maximise them in order that the balance which Prof Mehta has in mind can be ultimately brought about. According to the author, the challenge of poverty apart, Prof Mehta's concern for the evil consequences of unbridled materialism is very genuine indeed. And since even the poor countries of today would become affluent tomorrow and might have to face the problem of imbalance J.K. Mehta has in mind, his economics is beyond doubt, a contribution of lasting value.

purpose of progress

Mehta's views are justified by Ragnar Frisch when he writes: "The ultimate purpose of progress is, in my opinion, something far beyond an increase in living standards, It is cultural, spiritual and moral and it is a training in the philosophy of helping others." Frisch ends by saying that we must find a way to abolish poverty, illiteracy, malnutrition and ill-health without losing the priceless heritage of old culture and old wisdom. This means economics does and should take into account the deeper questions and work for higher goals than for mere material development and prosperity—a point repeatedly emphasised by J.K. Mehta in his writings. Even J. Tinbergen has made a strong plea for normative economics. Happiness in this world demands that "economics works for an end composed of both materialism and spiritualism, for the common man." He has warned that "the Third World must act as a watch-dog lest a definition of economics leads to multiplicity of wants..." We must not get caught in "affluent trap" and "standard of living trap". Thus Frisch, Erhard Eppler, Herest Siebert and Jean Frencois Revel all seem to support the approach of J.K. Mehta to economics which has to be based on certain moral values.

Vivian Thomas has written an excellent article on the Soviet experience. Thus the author has traced the development of the Soviet economy and has shown how the Russian economic development owes its particular pattern 'to the nature of the response by its political leaders to military requirements'. The conclusion after detailed analysis of the development of the Soviet economy is worth careful observation. According to the author, the examination of the development of the Soviet economy is sufficient to raise serious doubts about the likelihood of that society producing a significantly attractive alternative to western capitalism. The author has also warned that the less developed countries currently engaged in a desperate attempt to raise living standards of their people should aim higher than the mere emulation of western capitalism. This is because "A society consists of more than mere material goods."

J.S. Mathur in his essay on new values for growth has emphasised that humanity faces great dangers because the present economic system is based upon a wrong appreciation of fundamental human instincts and emphasising wrong values. Everyone knows what grief fell to the lot of Midas !

We need individuals like Prof J.K. Mehta who can swim against the current. No society can be progressive without a leaven of rebels. J.K. Mehta has been one such in the field of economics and it was thoughtful on the part of his grateful students to have brought out this commemorative volume which will teach the blind followers of the western economic thinking the place of moral values in economic analysis.

MATERIALS MANAGEMENT

Industrialisation has brought in its wake new problems. The problem of materials management is one such. India has been going through the process of industrialisation fairly brisky since Independence and the entrepreneurs in the country have been facing the problems of materials management. Management Development Institute at New Dehi held a workship in April 1975 and *Key Areas in Materials Management* incorporates the contributions and discussions in the workshop in which eminent academicians and high executives from the private and public sectors participated. The workshop had as its theme "the organisation and integrated management of the materials function", and was designed to identify causes, evolve strategies and consider the scope for practical applicability of such strategies to current problem-areas.

scope of the subject

The materials management consists of (1) specification of appropriate materials, choice of supplies, determination of quantities to be ordered and the frequency of ordering: (2) determination of best prices for the items; (3) inspection, adequate storage and issue arrangements; (4) documentation and control of material flows; (5) control of inprocess and finished goods inventory, and (6) distribution of finished goods. The above scope of materials management indicates the role of materials management through the entire organisation and its impact on all aspects of the organisational activity.

The need for an integrated approach to materials management is evident when it is realised that materials and material-related costs generally constitute between 30 per cent to 70 per cent of the final price. The means that materials management is one function to an industrial enterprise where significant scope exists for cost reduction, without any adverse effect on production and sales.

Various aspects of materials management have been analysed and discussed in the book. For example, one of the key requirements for efficient materials management is long-term forecasting and planning. Without reasonably accurate forecasts of the requirements, materials management is not possible. Another point highlighted in the book is the evaluation of the materials management function. The performance of the sales manager or production manager can be measured in concrete terms. But the evaluation of the performance of the materials manager is a more complicated task as there are no fixed goals nor footrule with which to measure his achievements which are spread thinly all over the organisation. And yet the materials manager enjoys no status in the organisation at present.

obvious goals

The obvious goals of the materials manager should be getting materials at the lowest possible prices consistent with quality of the materials and to initiate use of materials and products which can lower price and improve quality of the product or achieve both. The materials manager will have to try standardisation of materials wherever possible. Also he must maintain good relationship with suppliers so that at times of crises special help can be provided by the suppliers. It was made clear in the discussion that getting materials required at lower costs

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is not the whole and sole aim of materials management.

The discussion at the workshop has also made it clear that the objectives, policies and policy instruments formulated by the government have large impact on materials management. For example, the Industrial Development and Regulation Act, the Essential Commodities Act, the MRTP Act, the Companies Act, the Foreign Exchange Regulation Act, the government's import and export policies, the nature of canalised materials, and the role of major channelising agencies like the STC and MMTC, the distribution system of critical materials like oil, coal and steel, the government policies in regard to money and credit have also their impact on materials management. The materials manager will have to take note of all the above factors into account as part of materials management function.

four areas

There are four areas for materials cost reduction which were discussed at the workshop. These relate to quality control, value analysis, standardisation, and inventory control. Quite naturally inventory control received considerable attention at the workshop. Materials make up 60 to 70 per cent of the working capital needs of any unit. The capital tied up in unproductive inventory is a loss both to the organisation and to the national economy. It was stressed that "any inventory management system must be so organised both from the viewpoint of controls and information flows, that it can respond appropriately to the changes in prices, supply situation, production levels, lead items and demands on capital. Unless the dynamic aspects of the environment are kept in view, the inventory system is likely to be instabilising and the norms will lose touch with reality."

Throughout the workshop, management of spares received much attention. The problems of imported spares and their management are much complicated. It was emphasised that the ultimate solution to their problems can be found only in greater indigenous capability for both equipment and spares. Anyway this should be the long-term goal. Even in the short-term, steps need be taken to encourage indigenous supplies of spares. It is heartening to note that many organisations in India have already been trying in this direction and have attained considerable degree of success.

The book will convince the interested parties the importance of materials management. It will also prove to entrepreneurs both in the private and public sectors in India that "much more needs to be done to make the materials management role into a dynamic profit centre rather than a passive stock controller."

In many enterprises in India the post of materials manager is hardly to be found even at present. Posts such as works manager, sales executive and financial manager steal the limelight. From reading this book, it is clear that not only is there need to create the post of materials manager but also he needs to be given due powers, position and status in the industrial hierarchy in India.

Books Received

Design-out-Maintenance and Instrument Aids : Durgesh Chandra; published by Universal Book Corporation, Bombay & Instrument Association of India, Bombay; Pp 281; Price Rs 62.50.

Culture in the Vanity Bag : Nirad C. Chaudhuri; Jaico Publishing House, 125 Mahatma Gandhi Road, Bombay 400 023: Pp 146; Price Rs 35.00.

Women and World Development : Edited by Irene Tinker and Michele Bo Bramsen; Overseas Development Council, 1717 Massachusetts Ave, N.W., Washington D.C. 20036; Pp 228; Price $3.50.

Women and World Development : An Annotated Bibliography : Mayra Buvinic Overseas Development Council; Pp 162; Price $2.50.

Smuggling, the Inside Story: M.A. Sujan and V.D. Trivadi; Jaico Publishing House; Pp 203; Price Rs 6.00.

The Great Commanders : A.N. Bannerji and Luis S.R. Vas; Jaico Publishing House; Pp 290; Price Rs 9.00.

Report of the Committee on Integration of Cooperative Credit Institutions : Published by Agricultural Refinance and Development Corporation; Pp 260; Price Rs 18.

Appropriate Technology, Problems and Promises : Edited by Nicolas Jequier; Development Centre of the Organisation for Economic Cooperation and Development: Pp 344; Price $ 12.50.

Social Sciences in Professional Education : Indian Council of Social Science Research; Allied Publishers Private Ltd., 13/14, Asaf Ali Road, New Delhi-110001; Pp 293; Price Rs 60.

Family Planning and Family Size Distribution : M.J. Carva Jal and David T, Geithman; A University of Florida Book, the University Press of Florida, 15 N.W., 15th Street, Gainess Ville, Florida; Pp 96; Price $ 5.00.

Food and Poverty : The Political Economy of Confrontation : Radha Sinha; Ambika Publications, ED 54 Tagore Gardens, New Delhi-110027; Pp 196; Price Rs 45.

New Horizons : Issued by Director, Public Relations, Punjab; Pp 1830.

Punjab, the Possible Dream : Issued by Director, Public Relations, Punjab; Pp 246.

Consumer Cooperation in South East Asia: International Cooperative Alliance, Regional Office & Education Centre for South East Asia, "Bonow House", 43, Friends Colony, New Delhi-110014; Pp 226, Price Rs 25.

Industrial Applications for Solar Energy (Seminar Proceedings) : National Productivity Council, Productivity House, Lodi Road, New Delhi-110003; Pp 336; Price Rs 50.00.

Readings in Industrial Finance : Edited by L.C. Gupta; The Macmillan Company of India Ltd; Pp 421; Price Rs 68.00.

Reproduction and Fixed Capital : A.B.-T.M., Van Schaik; Tilburg University Press; Pp 306; Price Dfl 65.00.

TRADE WINDS

Lok Sabha Extended by a Year

THE GOVERNMENT'S decision to further extend the life of the present Lok Sabha by one year to March 1978, was announced in the Lok Sabha by Law Minister H.R. Gokhale on October 30, 1976. He said the government intended to bring forward legislation, perhaps during the current session itself, for extension of the Lok Sabha term. The decision did not mean, Mr Gokhale asserted that the government was abandoning the process of elections in the country. "We believe that elections will be the only way in which democratic will of the people will be reflected. It will continue to be our view." Mr Gokhale said the time was ripe for the Congress to go to the polls and return with bigger majority. But a postponement of the elections was necessary in the larger interest of the nation. The forces of disruption and destabilisation were still dormant and in fact, were working in a more dangerous manner than before the emergency. "I want to tell the House with all the sincerity and seriousness at my command that I do not think we have come to a situation where it is disirable in the larger interests of the country to go to the polls now," he said.

Industrial Production

The monthly index of industrial production stood at 130.4 during the month of August, 1976 as against 132.8 (revised upwards since last month) for the month of July and 119.0 for the corresponding month of the last year. Compared with the last month the August index recorded a fall of 1.8 per cent this year as against a fall of 0.3 per cent last year. A point to point comparison shows that the index for August 1976 was 9.6 per cent higher than the index for August, 1975 and that the growth rate during the first eight months of this year (over the corresponding period of 1975) was 11.9 per cent. Corresponding rates during 1975 were 5.6 per cent and 3.2 per cent respectively. The growth rate for the first five months of the current financial year 1976-77 over the corresponding period of 1975-76 was 13.6 per cent whereas the growth rate for the same period of 1975-76 over that of 1974-75 was 2.2 per cent only.

The fall in the production level during the month under review was also accounted for mainly by the decline in production in the textile manufactures, electricity, and beverage industries offsetting the increasing trend in the output of the transport equipment, basic metal and electrical machinery manufacturing industries. The index of industrial production for the period between January 1974 and August, 1976 in given table below.

Month	1974	1975	1976
January	117.9	123.1	131.1
February	110.7	116.9	131.5
March	121.8	127.4	138.7
April	109.0	113.0	124.9
May	110.2	111.7	132.4
June	110.9	108.3	128.3
July	116.2	119.3	132.8
August	112.7	119.0	130.4
September	112.3	120.2	
October	112.6	118.3	
November	113.7	119.9	
December	123.1	133.8	
Average	111.3	119.3	

Standardisation of Electrical Goods

The government has decided to postpone the enforcement of the Household Electrical Appliances (Quality Control) Order, 1976 which was to come into effect on November 1, 1976. The order will now be enforced from July 1, 1977. It has also been decided to modify the list of household electrical appliances, the manufacture or storage for sale or distribution of which had been prohibited unless the products conformed to the ISI specifications This has been done in response to a number of representations received from the manufacturers and their associations.

New items included in the list are : Rubber insulated cables with copper/aluminium conductors, PVC insulated cables (for voltage 1100 V) with copper-aluminium conductors, polyethylene insulated and PVC sheathed cables (up to and including 250 V) and Bayonet lamp holders. These items have been included as these are components of the appliances.

Twenty items, which were in the nature of electrical wiring accessories and had been included in the Household Electrical Appliances (Quality Control) Order, 1976 have now been excluded. These are : electric soldering irons, assessibility test probes, electric hand lamps, safety transformer, electric call bells and buzzers for indoor use, neon testers, laboratory electric ovens, ceiling roses, rigid steel conduits for electrical wiring, link clips for electrical wiring, rigid non-metallic conduits for electrical installations, fittings for rigid steel conduits for electrical wiring, flexible steel conduits for electrical wiring, fittings for rigid non-metallic conduits, accessories for rigid steel conduits for electrical wiring, interlocking switch socket outlet, switch socket outlets (non-interlocking type), adaptors for flexible steel conduits and flexible (pliable non-metallic) conduits for electrical installations.

It may be observed that the order does not compulsorily require manufacturers to subscribe to the ISI Marks Certification Scheme. Manufacturers are only expected to ensure that the quality of their product conforms to the various standards specified for each item by the Indian Standards Institution. The government has, however, expressed the hope that more and more manufacturers would be interested in subscribing to the ISI Certification Scheme. The ultimate intention of the government is to enforce the Quality Control Order by making use of the ISI Mark compulsory, if considered necessary,

Improved Reinforced Concrete

A liquid concentrate which on addition to water used in mixing concrete can inhibit corrosion of steel reinforcements embedded in concrete constructions has been developed by the Central Electro chemical Research Institute (CECRI), Karaikudi. The concentrate has been tried on a large scale and found to be satisfactory. It is estimated that Rs 100 crores will be invested during the current five-year Plan period in the construction of coastal structures which need protection from corrosive environments. The product developed at CECRI worth Rs one crore would be required to protect these structures.

Import of Machinery

The ministry of Industry has announced a slight modification in the procedure for the import of machinery under the liberalised scheme introduced recently. Prior endorsement of the ministry of Industry would now be required before an import licence is issued in cases where the import of machinery results in 25 per cent higher production capacity than had been already licensed.

Application for endorsement of higher capacity will be dealt with expeditiously and decisions conveyed to the industrial undertaking within a period of one month from the date of the receipt of the application. The industrial undertaking should accordingly submit the application for enhancement of capacity to the joint secretary in-charge in the ministry. In the case of industrial undertakings which do not come within the purview of FERA or MRTP Act, the joint secretary would accord necessary approval. In the case of industrial undertakings coming within the purview of FERA and MRTP Act, a task force procedure will be adopted to accord approval expeditiously.

The ministry of Industry had earlier announced that an industrial undertaking which has been exporting more that 20 per cent of its total production during the past three years and gives an undertaking to continue to export more than 20 per cent of its total production for the next five years would be exempted from procedure of indigenous scrutiny, including clearance from the capital goods committee, in the matter of importing machinery, provided that (a) where the industrial undertaking has been licensed with a higher initial export obligation, it would have to maintain that higher level as against 20 per cent of total production; (b) the total value of imported equipment shall not exceed Rs one crores in one year.

Forward Purchase of Currencies

The Reserve Bank of India has suspended temporarily forward purchase of sterling, US dollars, Deutsche mark and Japanese yen in view of the unsettled conditions in the exchange markets. The situation is kept under constant watch and the bank will resume forward purchases of these currencies as soon as possible. Spot purchases and sales of sterling will, however, continue to be made at the rates announced on September 29,1976, namely Rs 14.65 and Rs 14.75 per pound, respectively.

Indo-Bulgarian Cooperation

An agreement was signed recently between the Federation of Indian Chambers of Commerce and Industry and the Bulgarian Chamber of Commerce and Industry to exchange regularly market information and other forms of cooperation "with a view to opening up further possibilities for increased exchange of trade between the two countries and for the expansion of economic and industrial cooperation between the enterprises and the organisations concerned". The agreement was signed by Mr P. Chentsal Rao, Secretary-General on behalf of FICCI and Mr G. Dobrer, Secretary General of the Bulgarian Chamber of Commerce and Industry.

There is already an arbitration agreement signed in August 1965 between the two countries and the present agreement is in recognition of the immense possibilities for improving economic and commercial ties between India and Bulgaria. One of the articles of the agreement states that the parties will help enterprises in their respective countries to participate on joint basis in Third Countries and they will also assist each other in the participation in national exhibitions, international fairs, specialised exhibitions, economic and technical fairs, symposia and conferences aiming at the expansion of economic cooperation.

Indian Coal Abroad

Coal from this country is now finding its way into new markets in Asia and Europe. As much as 20,000 tonnes of coal is being loaded from Paradip port for Denmark, which will be the first of the two shipments of coal going to Denmark. India has also offered to supply coal to Sri Lanka Railways. About 750,000 tonnes of coal is expected to be exported during 1976-77 from Calcutta and Paradip ports and also by the overland route to Bangladesh. The exports are likely to go up further if Haldia port is commissioned before the end of the current financial year.

So far over 226,000 tonnes of coal has been supplied to Bangladesh, Burma, Taiwan, Belgium and France. The supplies to the EEC countries are on a trial basis. If the coal is found suitable, contracts for supply of 750,000 tonnes to west European countries are expected to be finalised. It is learnt that coal sent to Belgium has already been well received there.

Pound Drops Further

A single sentence in the London "Sunday Times" dated October 24 sent sterling into a dive on the world's foreign exchanges. Sterling lost 7½ cents against the dollar—the steepest drop ever experienced in one day — plunging to a record low $1.5730. The slump stemmed from allegations in "The Sunday Times" that the IMF and the US treasury had agreed that the £ should be devalued to $1.50 before the IMF would agree to $3.9 billion loan requested by the British government. Vehement denials from the IMF, the US treasury and London's Whitehall did nothing to stem the panic selling which started off in the Far East, spread to Europe when those exchanges opened and finally invaded the London exchanges. Once the Bank of England realised the scale at which selling was taking place it withdrew the support which dealers believe it had given in first trading.

UK Grant for Gujarat Project

Britain's minister for Overseas Development, Mr Reg Prentice, has approved a grant of up to £3.15m to India for the continued provision of British expertise and equipment for a naphtha steam cracking plant being built at Koyali in Gujarat. This grant will be part of the United Kingdom's existing aid allocation to India and is in addition to the original £4.1m loan made available for this project in August 1973. The naphtha cracker plant is part of a large 800-acre petro-chemical complex, sponsored and being constructed by the Indian

Petrochemicals Corporation Ltd (IPCL), a public-sector body. With a maximum throughput of 482,000 tonnes of naphtha a year, the output of the naphtha cracker plant will process and feed a number of downstream units on and off the complex which, in turn, will produce intermediate chemicals for the home market.

India Lesotho Cooperation

Mr K.D.J. Rakhetla, minister of Commerce and Industry, Kingdom of Lesotho called on Mr T.A. Pai, union minister of Industry recently. There were wide ranging discussions on friendly cooperation between the two countries. A number of areas for fruitful cooperation were indicated during the talks. These relate to road development, supply of buses, supply of tractors, planning and setting up of small scale industries, establishment of textile manufacturing and processing centres, planning and setting up of a technical institute, assistance in the construction of buildings and low-cost housing, power generation systems and also the construction of an airport and a few hotels. Mr Pai offered training facilities in India in the various areas identified for cooperation. He also indicated that consultancy services for drawing up master plans of development for various industries and infrastructure in Lesotho could also be provided. The visiting minister, Mr Rakhetla, not only responded positively to this offer, but also expressed the hope that the sizeable Indian community in Lesotho, which had identified itself with his country, would act as an instrument of closer cooperation between the two countries.

Sri Lanka Rupee Upvalued

The Sri Lanka Rupee was revalued recently by 46 cents to Rs 13.9572 per pound sterling in reaction to the pound's depreciation in international currency markets. The value of the US dollar went up 10 cents from Rs 8.6736 to Rs 8.7753 per dollar while the value of the Indian rupee came down from 0.9810 to Rs 0.9495 Sri Lanka rupees.

Assistance from Canada

Canada has offered to give a special commodity credit of 10 million dollars to India for the import of fertilisers from that country. The loan is interest free and has been offered on soft terms applicable to Canadian development assistance. An agreement was signed recently by the economic affairs secretary, Mr M. G. Kaul and the Canadian high commissioner, Mr J.R.Maybee. Canada has also agreed to step up its credit for the import of rapeseed oil from six million dollars to 12 million dollars.

The 10 million dollars credit offered by Canada is the fourth such special loan. It is repayable in 50 years. It carries neither any interest nor any serviee charge. In accordance with the terms of the credit. the Canadian Development Agency will finance the cost of fertiliser and also pay the ocean freight. Potassic fertilisers are not produced in this country. The requirements are mostly met through imports. The annual requirements of potassic fertilizer in this country total nearly 660,000 tonnes. The

INDIAN RED CROSS SOCIETY

Fund Raising & Membership Campaign

Remember that November is Red Cross month. Throughout this month a concerted nationwide drive is always on for collection of funds and enrolment of members.

The people of our country, to whom the humanitarian activities of the Red Cross are well known will now have an opportunity of associating themselves with the manifold activities of the Red Cross by becoming members and by making liberal contributions.

Apply to the nearest State or District Branch or the Indian Red Cross Headquarters, *1, Red Cross, New Delhi.*

Canadian government has also promised to give an additional loan of seven million dollars for the import of sulphur to help in the production of fertilisers for which the demand is growing.

World Bank Loan for Bombay Transport

A World Bank loan of US $25 million will help finance the development of transport in the metropolitan region of Bombay, one of India's leading industrial, financial and commercial centres. The Bombay metropolitan region covers a land area of more than 4,000 square kilometres, and includes Greater Bombay —the island city of Bombay and its immediate and extended suburbs. Greater Bombay has a population of seven million. Transport has long been a key factor in Bombay's industrial and commercial growth About 300,000 of the 1,400,000 jobs in the island city are held by persons residing in the suburbs and areas outside Greater Bombay.

In recent years, however, mass transport capacity has lagged behind demand and the system's performance has deteriorated. Further deterioration could restrict access to the labour market for many of the work force, and constrain economic growth in the region. The World Bank loan will assist in improving the bus service in Greater Bombay and in supporting development planning and traffic management in the Bombay metropolitan region. The project is scheduled to be completed in 1980 at a total estimated cost of US $50.5 million. The World Bank loan to the Bombay Metropolitan Region Development Authority is for 20 years, including 4½ years of grace. It will carry interest at 8.7 per cent per annum. The loan will be guaranteed by the government of India

Reserve Bank Studies

Rural Households

A Reserve Bank of India study reveals that over 11 per cent of all rural households having assets worth less than Rs. 500 per household share only about 0.23 per cent of total assets, and a little less than 20 per cent of the households each having less than Rs 1,000 of the assets share only about 0.76 per cent of the total value of assets. At the other end, less than one per cent of household each having an asset value of Rs one lakh and above account for almost 14 per cent of the total value of assets and a little less than 4 per cent in the two highest asset value brackets having an asset value of Rs 50,000 or more account for over 30 per cent of the total value of assets. The median value of the household asset is only about Rs 4,800, as against the average of Rs 11,131. Thus, 50 per cent of rural households have less than Rs 4,800 worth of assets. Their share of the asset value is only 7.8 per cent. The share of the lowest 25 per cent rural households is only 1.3, as against 74.8 per cent for the top 25 per cent. Almost three-fourths of the total assets are thus held by the top 25 per cent of the households.

Fertiliser Consumption

According to another Reserve Bank of India study there has been a tremendous growth in fertiliser consumption in the country in the last 15 years, from barely 294,000 tonnes of NPK nutrients in 1960-61 to 2.59 million tonnes in 1974-75, but a slackening has been observed in the growth rate in recent years. This growth has been facilitated by two factors, namely, a shift in cost-price relationship favourable to farmers till about 1970-71 and a shift in fertiliser response curve indicative of technological progress. Between 1963-64 and 1970-71, Indian farmers growing wheat and paddy, the two most important crops, had increasingly favourable terms of trade so far as fertiliser use was concerned. This led to the growth of consumption which indicated a movement to a higher point along the same fertiliser response curve. Superimposed on this development was the shifting of the fertiliser response curve itself consequent to the introduction of the High Yielding Varietries Programme for five major food crops (wheat, paddy, jowar, bajra and maize). A similar experience has been observed in Japan where, during the period 1883-1937, 70 per cent of the increase in commercial fertiliser use was due to technical progress in agriculture (which resulted in a continuous shift of the fertiliser demand schedule) and 30 per cent due to technical progress in fertiliser industry (which lowered the price of fertilisers relative to the price of farm products).

Trends in Monetisation

The extent of monetisation of national income in India has remained more or less constant around 83-84 per cent during the last 12 years from 1961-62 to 1974-75, barring the occasional decline of one or two percentage points in monetisation as a result of the "subsistence drag" on declining output during the drought years of 1965-66 and 1966-67. The persistence of the size of non-monetised sector at 16-17 per cent of national income is attributed to the inherent tendency in this sector to increase at a certain rate irrespective of exchanges in agricultural output. The growth in the subsistence sector is occasioned by two major factors, namely, increase in the number of mouths to be fed by cultivators and the desire to raise the per capita consumption levels of families. These two factors raise the absolute level of consumption demand for, and hence the level of 'retentions' of, foodgrains by farmers at the annual compound rate of about three per cent. Since the marketable surplus is what is left for sale after the consumption demand (including other disposals in kind) is fully met, the growing subsistence demand reduce the marketable surplus whenever production stagnates or declines. These conclusions has been drawn in a Reserve Bank of India study.

Cotton Corporation

Cotton Corporation of India is the first among public sector units to finalise the accounts of the head office as well as 10 branches, getting them audited and holding the annual general meeting within 14 days of the close of the year. The corporation is observing cotton year, closing its accounts at the end of August 31.

In spite of being a difficult year for cotton, the Cotton Corporation had yet another successful year. The Corporation purchased cotton valued at Rs 46.26 crores during the year under review out of which imported cotton accounted for Rs 19.15 crores and indigenous cotton for Rs 27.11 crores. The total sales were Rs 74.81 crores of which imported cotton accounted for Rs 33.12 crores and domestic cotton for Rs 41.69 crores. A significant achievement during the year under review is that the Corporation has succeeded in disposing off all its old stocks, reducing its inventory to 13,401 bales valued at Rs 7.37 crores. The Corporation earned during the year a net profit of Rs. 3.91 crores before taxation; and after providing Rs 2.60 crores for taxation, there is a surplus of Rs 1.31 crores. A dividend of 12 per cent has been declared and it will be paid out of the General Reserve No 1.

Canalising Exports

The Corporation has been trying to impress upon government for quite some time the need to canalise all the cotton exports through it. While the government has already canalised the export of long staple cotton through the Corporation, it has not accepted so far the Corporation's request for canalising export of Bengal Deshi cotton. It has been the experience of the corporation that private exporters of Bengal Deshi Cotton in their eagerness to cover the export quota, often sell by undercutting the prices quoted by other exporters in the country. As a result, the country is deprived of a fair price for its produce, and to that extent the foreign exchange also is lost.

The world cotton situation is also tight and the prices are ruling quite high. The country will stand to gain if the export of Bengal Deshi Cotton is also canalised through the Corporation. In this context, it may be mentioned that in countries such as ARE, Sudan, Tanzania and Pakistan, the cotton exports are already nationalised with the result that those countries are able to realise the best possible prices for their cotton in the international market.

Cooperative Consumption Credit

A meeting of Stute Registrars of Cooperative Societies and Chief Executives of State Cooperative Banks was held recently to discuss the guidelines issued by the Reserve Bank of India for implementation of the Experts Committee's reeommendations on consumption credit. The meeting was convened by the National Cooperative Union of India. Senior representatives from the ministries of finance, civil supplies and cooperation, agriculture, planning commission and the Reserve Bank of India participated. The meeting evaluated the work of existing primary societies and made recommendations for their reorganisation with a view to making the credits effective and productive.

Names in the News

Mr D.N. Shroff has been reelected as president of the Silk & Art Silk Mills' Research Association (SASMIRA) for the year 1976-77. Mr Shroff is a prominent businessman and industrialist and is a Director of Podar Silks & Synthetics Ltd. Mr Shroff has been connected with the manmade textile industry for the past three decades and is one of the founders of SASMIRA. He was the Indian Vice-President of the International Silk Association. He is also a member of the Development Council for Man-made Textiles and Vice-Chairman of the Textile Division Council of the Indian Standards Institution. **Mr B.N. Kothary** has been reelected as the Vice-President of the Association for the year 1976-77. Shri Kothary is the Chairman of Silk & Rayon Textiles Export Promotion Council and Rayex (India) Ltd.

WIMCO LIMITED

NOTICE

It is hereby notified for the information of the public that WIMCO LIMITED proposes to give to the Central Government in the Department of Company Affairs, New Delhi, a notice under sub-section (1) of section 21 of the Monopolies and Restrictive Trade Practices Act, 1969 for a substantial expansion of its activities. Brief particulars of the proposal are as under:

(i) Name of the body corporate owning the undertaking	WIMCO LIMITED
(ii) Capital structure of the applicant undertaking	Authorised Rs 10,00,00,000 10,00,000 equity shares of Rs 100 each Issued & Subscribed Rs 6,20,00.000 6,20,000 equity shares of Rs 100 each
(iii) Details of the proposed substantial expansion:	
(a) Names of new goods to be produced, supplied, controlled or distributed or of new services to be rendered	(i) Perchloric Acid (ii) Magnesium Perchlorate
(b) In the case of substantial expansion of existing activities:	
(i) Names of goods	Perchloric Acid & Magnesium Perchlorate
(ii) Capacity before expansion	Nil
(iii) Expansion proposed	Perchloric Acid—25 tonnes per annum Magnesium Perchlorate —150 tonnes per annum
(iv) Location of the project for substantial expansion	At the Company's existing Works at Ambarnath, Maharashtra
(v) Brief outline of the cost of the project, the scheme and source of finance	Estimated cost of the project is Rs 55 lakhs. Financing will be from internal resources of the Company including the issue of fresh equity to Indian shareholders which will be made to bring down the percentage of foreign shareholding as required by FERA — and borrowings from Financial Institutions.

2. Any person interested in the matter may make a representation to the Secretary, Department of Company Affairs, Government of India, Shastri Bhavan, New Delhi within 14 days from the date of publication of this Notice, intimating his views on the proposal and indicating the nature of his interest therein.

WIMCO LIMITED
M. V. Hate
Director & Secretary

BOMBAY
28.10.1976

COMPANY AFFAIRS

Morarjee Goculdas

THE PERFORMANCE of Morarjee Goculdas Spinning and Weaving Co Ltd is indeed impressive during the year ended June 30, 1976. Sales during the year have gone up to Rs 27.93 crores from Rs 25.34 crores while gross profit too recorded a smart rise to Rs 222.63 lakhs from Rs 201.45 lakhs in 1974-75. After adjustments the disposable surplus amounted to Rs 226.53 lakhs. Out of this, a sum of Rs 64.56 lakhs was appropriated to depreciation reserve, Rs 116.28 lakhs to general reserve, Rs 3.50 lakhs to investment allowance reserve, Rs 6.19 lakhs for gratuity and Rs 36.00 lakhs for taxation. The directors have proposed a dividend of Rs 20 per equity share besides recommending a dividend of Rs 6.43 per preference share. The dividends will absorb Rs 116.28 lakhs and will be paid out of the general reserve.

Higher Turnover

The year under review had been a difficult one for the textile industry. Nevertheless due to the great popularity and reputation enjoyed by the company's products, Morarjee Goculdas was able to improve its sales during the year. Although the controlled cloth scheme was modified in December 1975 to exempt sick mills from the obligations to manufacture controlled cloth, Morarjee Goculdas continued to fulfil its obligation, the burden on the company being over a crore of rupees.

Larsen & Toubro

Within three years of introducing to the Indian market indigenously designed and manufactured electronic controls, Larsen & Toubro Limited (L&T) is now offering third generation static control equipment. The range of L&T's third generation professional class electronic control systems covers thyristor converters, thyristor inverters, static switching logic equipment and static fault annunciation equipment.

L & T has developed the third generation electronic controls through sustained and intensive research which has enabled it to introduce many improved features in its equipment. A high degree of operational reliability, a high order of regulation and fast response characteristics are ensured through superior circuit techniques involving the use of integrated circuits and hermetically sealed industrial grade semiconductor devices. Computer-aided optimisation techniques, for heat sink and ventilation system design, permit optimum utilisation of power semiconductor capabilities.

As a result of these improvements, users and original equipment manufacturers are now offered electronic controls designed for superior performance at lesser cost than the earlier generation equipment.

L&T's third generation electronic control equipment has application in a wide range of process industries like chemical, paper, cement and steel as also in metal working and on machine tools.

Investment Corporation

The Investment Corporation of India Ltd has declared a higher dividend of Rs 15.00 per equity share for the year ended June 30, 1976 as compared to Rs 11.00 per share paid in 1974-75. The company has earned during the year a handsome profit of Rs 42.82 lakhs as compared to Rs 27.63 lakhs in the preceding year. After providing for taxation the net profit amounted to Rs 39.85 lakhs and it exceeded the previous year's figure by as much as Rs 12.94 lakhs. Adding Rs 7.17 lakhs being the balance brought forward from last year and after writing back Rs 2.83 lakhs being the provision for taxation of earlier years, the disposable surplus came to Rs 49.86 lakhs. Out of this, a sum of Rs 2.14 lakhs was transferred to general reserve No 2, while the remaining amount of Rs 47.72 lakhs has been carried forward to next year's accounts.

Mysore Minerals

Mysore Minerals Ltd has reported all-round improvement in its working results during the year ended March 31, 1976. The company produced 519,010 tonnes of iron ore, 101,883 tonnes of manganese ore, 8785 tonnes of aluminous clay, 2391 tonnes of china clay and 2293 tonnes of chromite during 1975-76. What is more significant and striking is that the output of all minerals, except chromite, during the year has surpassed all previous levels by considerable margins. The income from sales and services too recorded a sharp rise to Rs 4.24 crores, registering a handsome of 45 per cent over 1974-75. The company has also made considerable progress on the export front. The foreign exchange earnings from exports reached during the year an all-time record of over Rs 2.40 crores.

After providing Rs 16.76 lakhs for depreciation, Rs 7.50 lakhs towards bonus, Rs 35.00 lakhs toward purchase tax and Rs 73 lakhs for income tax, the net profit for 1975-76 amounted to Rs 28.47 lakhs. The directors have recommended an equity dividend of 15 per cent which will absorb Rs 7.87 lakhs.

Unit Trust

Sales of units of the Unit Trust of India have shown an encouraging trend. In the first quarter of the current year (July-September), the UTI sold units worth Rs 17.43 crores under Unit Scheme 1964 with 27,341 new investors joining the Trust, compared to Rs 8.89 crores under 16,186 applications in the corresponding period of the preceding year. During the period, repurchase of units were lower at Rs 1.89 crores against Rs 4.80 crores in the same period of 1975-76. As at the end of September 1976, units of the face value of Rs 174.19 crores under 1964 scheme were outstanding under more than six lakh accounts.

Sales of units to non-residents have shown a significant rise. Of the first quarter's total sales about Rs 25.32 lakhs were invested by non-residents under 222 applications against Rs 5.75 lakhs under 62 applications in the corresponding period of the previous year. Sales under the children's gift plan, which is a part of 1964 scheme, aggregated Rs 26.87 lakhs against Rs 16.81 lakhs.

The unit linked insurance

plan under unit scheme 1971 also made satisfactory progress during the period. Some 1,223 applicants joined the plan for a total business of Rs 1.12 crores against 607 applicants for Rs 51.59 lakhs in the same period of 1975-76.

News and Notes

The Directors of **Philips India Limited** have declared an interim dividend of Re 0.50 per share subject to deduction of tax. The total interim dividend will amount to Rs 6.79 mn on the paid-up share capital of Rs 135.8 mn. The company's sales and profit for the period January to June 1976 are higher than those for the same period of last year. The improvement in sales and profit witnessed in the first half of the year is expected to be maintained in the second half of the year.

Indian Aluminium Company has declared an interim dividend of seven per cent for 1976, on fully-paid equity shares, with a pro-rata dividend on the partly paid shares.

New Issues

Orient Plywood and Veneering Industries is setting up a modern plywood and veneering unit at Raipur in Madhya Pradesh. The company has been licensed to manufacture four million sq metres of plywood of all sorts including flush doors, block boards and decorative veneers per annum. At a later stage the company proposes to produce fibre board and particle board. The company proposes to install the capacity in two stages. In the first stage the unit will have an installed capacity of 2.6 million sq metres. Commercial protion is expected to commence by September-October 1977. The capital outlay on the project is estimated at Rs 1.60 crores. It will be financed by the share capital of Rs 60 lakhs, rupee term loans of Rs 67.60 lakhs, and foreign currency loans of Rs 32.40 lakhs. The company will soon by offering 2,80,000 equity shares of Rs 10 each and 5,000 (11 per cent) cumulative redeemable preference shares of Rs 100 each for cash at par to the public for subscription.

Kap Steel is setting up a Rs 145.50-lakh project for the manufacture of mildsteel ingots, sophisticated grades of carbon, special and alloy sheets. It has already received one 15/17 tonne arc furnace from the General Electric Co of India as also other machinery. Trial production is expected to begin by the end of this year or by January 1977. To raise part of the resources required for the implementation of the project the companywill soon be offering 1,96,000 equity shares of Rs 10 each and 5000 (11 per cent) cumulative redeemable preference shares of Rs 100 each for cash at par to the public for subscription. The capital outlay of Rs 145.50 lakhs will be met by the share capital of Rs 50 lakhs, deferred payment under the IDBI scheme of Rs 29.67 lakhs, term loans of Rs 57.70 lakhs and unsecured loans and deposits of Rs 8.13 lakhs.

Capital and Bonus Issues

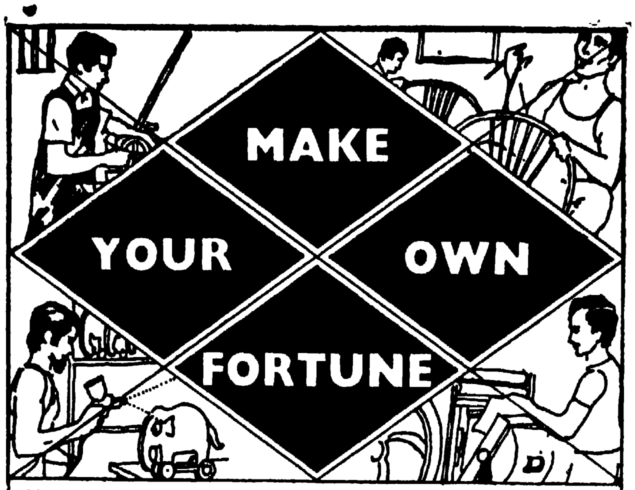
Consent has been granted to six companies to raise capital of over Rs 134.14 million.

The details are as follows :

Hoechst Dyes and Chemicals Limited, Bombay, has been accorded consent, valid for six months, to capitalise Rs 5.40 million out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of two bonus shares for every five equity shares held.

Hindustan Machine Tools Limited, Bangalore, has been granted consent, valid for 18 months, for issue of secured debentures of the value of Rs 55 million to the general public through a prospectus. The proceeds of the issue are to be utilised to meet a part of the finance required for the lamp project being set up at Hyderabad.

Industrial Reconstruction Corporation of India Limited,



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PRATIBHA 768 B

Calcutta, has been accorded consent, valid for 18 months, for the issue of bonds for Rs 42.50 million, with a right to retain 10 per cent, of the notified amount in the event of over-subscription. The object is to augment the resources of the corporation to meet the demands of the sick and closed industrial units including industries taken over under Industrial (Development and Regulation) Act, for reconstruction.

Horstmann India Private Limited, Pune (Maharashtra) has been accorded consent, valid for six months, to capitalise Rs 1,240,940 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for each equity share held.

UP. State Industrial Development Corporation Limited, a public company having a paid-up capital of Rs 86.773 million has been accorded consent for issue 200-10.25 per cent unguaranteed debentures of the value of Rs 20 million (with an option to retain additional subscription up to 10 per cent of the notified amount, in the event of oversubscription) for cash at par, to the public by a prospectus. The debentures shall be payable to registered holders only. The proceeds will be utilised for augmenting the resources of the corporation. The consent order is valid for 18 months only.

Surat Electricity Company Limited, Bombay, a public company having a paid-up capital of Rs 14.919 mililon has been accorded consent for issue of Rs 10 million in 10.5 per cent redeemable convertible debentures of Rs 100 each for cash at par to the public by a prospectus. The debentures shall be payable to registered holders only. The proceeds will be utilised to meet financial needs of the power system. The consent order is valid for 18 months only.

The Pioneer Magnesia Works Limited, a public company has been rejected permission for issue of bonus shares of Rs 297,300.

The Aryodaya Ginning and Manufacturing Company Limited, Asarwa Ahmedabad, has been refused consent for issue of bonus shares worth Rs 11.55 lakhs.

Dividends

Name of the company	Year ended	Equity dividend declared for Current year	Previous year
Higher dividend			
Trichi Distilleries	May 31, 1976	10.0	7.5
G.G. Dandekar Machine Works	June 30, 1976	10.0	Nil
Same dividend			
Mysore Kirloskar	June 30, 1976	12.0*	12.0
Rajagiri Rubber	June 30, 1976	9.0	9.0
Chemo Pharma	May 31, 1976	Nil	Nil
Travancore Chemicals & Mfg Co	June 30, 1976	14.0	14.0
Orient Paper Mills	March 31, 1976	20.0	20.0
Lakshmi Mills	March 31, 1976	9.0	9.0
Reduced dividend			
Scindia Steam	June 30, 1976	15.0**	24.0

*In addition to three-for-five bonus issue

**In addition to two-for-five bonus issue.

Licences and Letters of Intent

THE FOLLOWING licences and letters of intent were issued under the Industrial (Development and Regulation) Act 1951 during the month of July 1976. The list contains the names and addresses of the licensees, articles of manufacture, types of licences—New Undertakings (NU), New Articles (NA), Substantial Expansion (SE), Carry on Business (COB), Shifting—and Annual Installed Capacity. Details regarding licences and letters of intent revoked, cancelled or surrendered are also given.

Licences Issued

Metallurgical Industries (Ferrous)

M/s Metropolitan Springs Pvt Ltd; Antop Hill (West) Wadala, Bombay. (Wadala, Maharashtra)—Upset Forgings—200 tonnes (C.O.B.)

M/s Mishra Dhatu Nigam Ltd; P.O. Kancha Bagh, Hyderabad. (Hyderabad—Andhra Pradesh)— Nickel & Cobalt base Superalloys – 200 tonnes. High Strength & High Temperature iron base alloys – 515 tonnes. Nickel & Nickel Alloys—100 tonnes. Controlled expansion alloys—210 tonnes. Thermocouple Alloys—10 tonnes. Heating element & resistance alloys—200 tonnes. Bimetals—50 tonnes. Soft Magnetic Alloys—204 tonnes. High Purity Iron—1000 tonnes. Special permanent magnet alloys—50 tonnes. Tungsten & Molybdenum products—10 tonnes. Titanium & Titanium Alloys—200 tonnes. Total:— 9,749 tonnes. Additional Products:- Cores & Laminations – 10 tonnes. Welded Tubes (I.D—6 to 40 mm)—20 tonnes—(NU)

Metallurgical Industries (Non ferrous)

M/s Glad Materials Systems, 3-A, Mehar House, 15-Cowasji Patel Street, Fort, Bombay. (Dewas—Madhya Pradesh)—Clad Materials of Copper, Aluminium, Steel and Stainless Steel – 1,200 tonnes (NU)

Prime Movers (Other than Electrical Generators)

M/s Kirloskar Pneumatic Co. Ltd; Hadapsar Industrial Estate, Pune. (Poona—Maharashtra)—Fluid Couplings upto12.2″—300 nos—2.25 lakhs in Rs. Hydrosheaves & Hydrowynds upto 12.2″ 200 nos. 2.80 lakhs in Rs. Fluid Coupling from 12.2″ upto 27″ 200 nos.—Rs. 8.00 lakhs. Fluid Couplings 27″ and above—50 nos.—10.00 lakhs in Rs.—(NA)

Electrical Equipments

M/s Madras Wire Products Ltd; 9/6, Madras Avadi Road, Ambattur, Madras. (Ambattur, Madras, Tamil Nadu)—AAC/ACSR Conductors upto 19 Strands only-200 tonnes—(COB)

M/s Jayant Metal Mfg. Co. Pvt. Ltd; 16-Sayani Road, Bombay, (Maharashtra)—Copper/Computator Segments Strips/Profiles—600 tonnes—(SE)

M/s The Aluminium Industries Ltd; No. 1, Ceramic Factory Road, Kundara, Kerala. (Hyderabad, Andhra Pradesh)—AAC/ACSR Conductors upto 19 Strands 430 tonnes—(COB)

M/s Siemens India Limited, 134, Dr. Annie Besant Road, Worli, Bombay. (Bangalore—Karnataka)—Double Side & Powerline Carrier Communication Terminals—300 nos. p.a.—(NA)

M/s Jyoti Switchgears Ltd; P.O. Mogar, Taluka Anand, Kaira, Gujarat. (Kaira—Gujarat)— Oil Immersed Motor Starters upto 25 amps.—9,000 nos, Manually operated stardelta starters—2,000 nos. Air Break Motor Starters—7,000 nos, Auto Transformer Starters 20 HP & above—200

MINISTRY OF DEFENCE
INDIAN ORDNANCE FACTORIES

General Managers of the following factories invite separate sealed tenders for supply of the following items:

High Explosives Factory: Kirkee: Poona

1. Chilled water plant to cool 50 KL of water per hour from 15° to 8°C. The plant is required for cooling industrial water at the rate of 50 KL/hr. from 15° to 8°C with suitable pump to supply chilled water to process at the rate of 150 KL/hr. and pressure 4.5 Kg/Sq. cm. The plant will be rated for continuous operation at 100% duty — 1 No.

2. Saunders diaphragm valve having a glass lined body with flanges to BSTD fitted with diaphragm and arranged for standard hand wheel operation:

(i) Size: C 100G 1000B — 101.6 mm. ...... 4 Nos.
(ii) Size: C 100G 1000B — 50.80 mm. .... 3 Nos.
(iii) Cast iron hypalon lined diaphragm valve size 40 mm:

3. Spare for S.A. Pot concentration Unit:

C.I. Bend for rigid vapour inlet pipe as per Drg. No, SAC/07/09 ...... 5 Nos.

4. Thermocouple platinum/platinum + 13% rhodeum 25 SWG wire with ceramic insulators and protective sheath length of thermocouple 1045 mm. .... 12 Nos.

Opening date 30-11-76 for item 1 and 17-12-76 for others. Tender forms available on application @ Rs. 2/- each item upto 15-11-76 for item 1 and 30-11-76 for others.

Ordnance Factory : Moradnagar (U.P.)

1.1 K.V. grade PVC insulated Aluminium conductor Armoured Cable 3 core size 300 mm^2 conforming to IS 2554 (Pt I) 1964 with upto date amendments = 600 Metres. Closing date 7-12-76. Tender forms available on application @Rs. 10/- by Bank Draft or Postal Order or M.O. upto 24-11-76

Rifle Factory: Ishapore (W.B.)

Supply of Casting for CRADLE—as per RFI Sketch No. 2710/3/1, Mat. Specn: Steel BS 592: 1957 GRADE—A or B or IS: 1030: 1974 GRADE 20-40 or GRADE 23-45 .... No. 6120 Closing date 21-12-76. Tender forms available on application @ Rs 5 by crossed Postal Order upto 6-12-76.

Ordnance Factory: Katni

(i) Prefabricated Tubular Steel Structure set of purlins (Roof & Bottom) with end connections for portal frame one bay (suitable for single span 15.5 M, bay length 5.00 M, T.T.L. height 5.00 M) including all bolts, nuts Jhooks, G.I. and bitumen washers for A.C. Sheets. Quantity....5 sets.

(ii) Prefabricated Tubular Steel Structure Portal frames (suitable for single span 15.50 M Span, bay length 5.00 M and 5.00 M high upto T.T.L. comprising of frame columns base plate and holding down bolts complete set. Quantity.......7 sets.

Closing date 14-12-76. Tender forms available on application @ Rs. 2/- in cash or by Postal Order upto 26-11-76.

Ammunition Factory: Kirkee: Poona

1. Supply of 350 Nos. of CHARGE HE EMERGENCY ECS Nos. MK 3 EMPTY CONSISTING OF:

(a) Charge collar (upper section) (1 No. each) Drg. No. ARM 1210 B 4 dt. 30-10-72.
(b) Charge collar (lower section) (1 No. each) Drg. No. ARM 1210-A 3 dt. 30-10-72.
(c) Nut securing detonators (1 No. each) Drg. No. ARM 1210-A 5 dt. 30-10 72.
(d) Spring (1 No. each) Drg. No. ARM 1210 A 6 dt. 4-3-66.
(e) B.S.F. Bolt and self locking nut (2 Nos each) Drg. No. ARM 1210 Schedule Sl. No. 7 & 8 dt. 30-10-72.

2. Supply of 1830 kgs. of Potassium Chlorate Technical Grade I crystals for defence requirements Specn I S. 708-1956 (with amendment No. 1 & 2).

3. Supply of 2420 Litres of Oil shell micron 27.

4. Supply of 1700 kgs. of Brass strip 2.03 ± 0.025 mm thick × 19.05 ± 0.25 mm wide harness above 145 VPN to specification BS 2870 — 1968 — CZ 108.

5. Supply of (1) Box Storing & Carrying components Drg. No. KF/SK-400 dt. 24-4-73. Nos. 800.

(2) Box wood packing cartridges SA, 22 Drg. No. KF 974 dt. 24-11-71. Nos. 4000.

Opening date 26-11-76 for item 1, 30-11-76 for item 2, 7-12-76 for item 3, 14-12-76 for item 4 and 17-12-76 for item 5. Tender forms available on application @ Rs. 2/- by money order upto 12-11-76 for item 1, 16-11-76 for item 2, 19-11-76 for item 3 and 26-11-76 for items 4 and 5. M.O. receipt should accompany application.

Ordnance Factory: Chanda

1. Securing Ring for Container 4 B Drg. No. CIA/AMN/1298 Det. No. 9, Part No. ISV-1141. — 22, 400 Nos.

2. Polythene Tubing 292 mm (11.5") Lay Flat × 800 gauge Type II Low or medium density to Specn. 1213A. 17000 Metres.

3. Mild Steel Over Head Water Tank Made of 5 mm thick M.S. Plates And As per Drg. No. M/644 — Nos. 25.

4. Pallet Cup Adaptor To Drg. No. FQ/IX/006 Nos. 1000.

5. Mask Canister with Filter for Protection Against Organic Vapour — No. 67.

Closing date 8-12-76. Tender forms available @ Rs. 10/- for each item by crossed Postal Orders. Postal Orders will be received upto 11-11-76.

Ordnance Factory: Ambajhari, Nagpur

1. Tender No. 4063/M3/76-77/331: Fusion welded liquid gas (Chlorine) Transport container 760 mm I/DX 2083 mm length overall of specification to BS: 1500-1958 Part 1, class I, D.P. 283 PSIG DT 65°C HYD, TEST 500 PSIG to Drawing No. BS/GC/1151 Rev. B. 4 Nos.

2. Tender No. 4063/M3/76-77/3312. Crucible as per drg. No. DC-34 — 8 Nos,

3. Tender No. 4063/M-1/76-77/1267. Pole to drawing No. FS-441 or IQX. 1743, DC (1) 30967-A — 85,000 Nos.

Tender forms available @ Rs. 5/- for each item by crossed Postal Order upto 20 11-76 for item 1 and 2 and 27-11-76 for item 3. Request for tender forms will not be entertained from firms who are not either registered with this factory or with DGS&D or NSIC. Request for tender forms from firms registered with DGS&D or NSIC should be accompanied with photostat copy of proof of registration issued by the DGS&D or NSIC.

Gun Carriage Factory: Jabalpur (M.P.)

1. **T.E. NO. 76/298/56 B**: Canves Cotton 24 Ozs OG-WP 0.91 Metre wide to Specn: IND/TC/0221 (e) — 1122 Mtrs.

2. **T.E. NO. 76/494/56 B**: Throw away square Inserts for R.H. Face Mill to size 12.7 × 12.7 × 3.2 mm thick × (1.4 × 1 mm corner length) to grade P. 30 to ISO SPKN 1203 EPR — 1800 Nos.

3. **T.E. No. 76/321/56 B**: H2/-4020-000024 Rope Sisal H/L 3 Strand Non Rot proof and U/W 38 mm to specn IND/TC/2144 (i) or

H/2 4020-000144 Rope Hemp H/L to specn: IS-5176-1969 Grade—I 12 mm dia Qty. 75905. Mtrs.

4. **T.E. No. 76/509/56 B**: Bearing Roller Tapered (SR) 77.788 Bore × 121.442 mo/S dia × 24.608 M Width (3.0625" Bore × 4.7812" 0/S dia × 0.9688" width) Timkin Cone No. 34306 R Cup No. 34478. Qty. 91 Nos.

Closing date 15-12-76 for item 1 and 2 and 30-12-76 for 3 and 4. Tender forms available @ Rs 5/- each item by postal order upto 14-12-76 form item 1 and 2 & 27-12-76 for items 3 and 4.

Ordnance Factory: Khamaria: Jabalpur

1. External Micrometer 35 to 50 mm Reading 0.001 mm. Qty. 50 Nos.

2. Pole Steel Tubular B.C.D. 6.53 metres height Complete with base plate and Pole Cap. Unit 50 Nos.

3. Tank Mastic Bituminous Paint Unit 200 Litres.

Closing date 28-12-76. Tender forms available free on application upto 28-11-76. Separate application required for each item.

Ordnance Equipment Factory: Kanpur

1. Tender No. PV/610. (i) Granodine starter (62-7) I.CI. Brand Litres, 5638.

(ii) Granodine Solution (62-40) I.C.I. Brand Litres. 16216.

2. Tender No. PV/619 WEB Cotton statichute 45 mm undyed-specn, No. IS: 3244-1965. 16700 Metrs.

3. Tender No PV/632. Duck cotton 612 GMS scoured 91 cms wide Cat. No. H2/8305-000073. —7450 Metrs. (specn. no. IND/TC/0125(f).

4. Tender No. PV/668. Kapok Indian (Semul) GR 'B' (IHB-0332) — Specn. No. IS: 3040-1965 & CI & C Schedule No. CI&C/TC-6/1. 11800 kgms.

5. Tender No. PV/669. Fabric rubberised black 91 cms wide specification no. IND/TC/4013 (d) appendix 'A' — 1200 Metres.

Closing dates 2-12-76 for items 1 and 2, 9-12-76 for item 3, 16-12-76 for items 4 and 5. Tender from available @ Rs 5/- for each item.

Note: Specification, Drg. and other details will be supplied along with tender form. Tender fees are non-refundable. Further details can also be seen in Indian Trade Journal, Calcutta.

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nos, Iron Clad Switches & Switch-fuse Units 500-V above 30 amps.—8,000 nos, Triple Pole 500-V & Switches above 30 amps—2,500 nos, Current Transformers—3,000 nos. Potential Transformers—360 nos.—(NA)

M/s Electra (India) Ltd; Industrial Area, Partapur Meerut. (Meerut—Uttar Pradesh)—Laminations for Power Distribution and Instrument Transformers—2,000 tonnes. Laminations for communication Transformers, Electricity Meters & Switchgear Equipment and Stamping for Electrical Rotating Machinery—750 tonnes. Total: 2,750 tonnes—(NU)

M/s Keltron Magnetics Ltd; Keltron House, Trivandrum. (Cannanore—Kerala)—Electromagnetic Components and Electronic Sub-Assemblies (including colour TV delay lines pulse, Transformers general purpose delay lines—2.75 mill. nos. p.a. —(NU)

Industrial Machinery

M/s Cement Distributors Ltd; 4-Scindia House, 'New Delhi. (Raj Gangpur Engg. Works) (Sundergarh—Orissa)—Heavy Duty Hydraulic Toggle Press, upto 1,200 tonnes pressing capacity —10 nos.—(NU)

M/s Central Industrial Workshop, Mysore Road, Bangalore. (Bangalore—Karnataka)—Heavy Duty Trailers—100 nos. (NA)

M/s Deepak Industries Ltd; 92, Kazara Road, Calcutta (Calcutta—West Bengal)—Speed Regulating Pulleys—3,000 nos. worth Rs. 9 lakhs a year—(NA)

Fertilizers

M/s Gujarat Aromatics Ltd; Natraj Chambers, Ashram Road, Navrangpura, Ahmedabad. (Baroda—Gujarat)—Cresols —3,000 tonnes. Sodium Sulphite—5,800 tonnes (Bye-product) —(NU)

Chemicals (Other than Fertilizers)

M/s Asian Paints (India) Ltd; 5th Floor, Nariman Point, Bombay. (Maharashtra)—Acrylic Resins—250 tonnes—(SE)

Shri Mohan Govindram Mukhi, 112, Vallabh Apartments 87, B. Desai Road, Bombay. (Maharashtra)—Oxygen Gas—1.00 MCM. D/Acetylene—0.20 MCM. Nitrogen Gas—0.50 MCM. —(SE)

M/s Sri Ramakrishna Oxygen Ltd, 1/8, Ramakrishna Nilayam, Pappanaickenpalayamam, Coimbatore. (Coimbatore—Tamil Nadu)—Oxygen Gas—1 MCM. D/Acetylene Gas—0.25 MCM—(NU)

M/s Rallis India Limited, United India Life Building, P-Block, Connaught Place, New Delhi-1. (Maharashtra)—Dimethoate Technical—1,000 tonnes—(SE)

M/s Cyamid India Ltd; Nyloc House, 254-D2, Dr. A.B. Road, Bombay. (Atul—Gujarat)—Fenitrothion Technical—100 tonnes.—(N.A.)

M/s Kerala Chlorates & Chemicals Ltd; 108, Giri Nagar, Cochin. (Alleppy—Kerala)—Potassium Chlorate—1,000 tonnes. Sodium Chlorate-1,000 tonnes—(NU)

M/s Sudarshan Chemical Industries Ltd; 162, Wellesley Road, Sangam Bridge, Poona. (Colaba—Maharashtra)—Hydrogen Gas—0.5 MCM. Oxygen Gas—0.25 MCM—(NA)

Drugs & Pharmaceuticals

M/s Unichem Laboratories Ltd; 'Unichem Bhavan', S.V. Road, Bombay. (Ghaziabad—Uttar Pradesh)—Various Ointments & Tubes Containing; Iodochlorohydroxyquinoline, Iodochlorohydroxyquinoline with Triamcin Ione Acetonide. Neomycin Triamcinolone. The capacities of the above oimtments tubes in terms of Bulk Drugs required will be as under: Triamcinolone Acetonide—7.56 Kgs. p.a. Neomycin Sulphate—20.7 Kgs. p.a. Iodo-Chloro-Hydroxyquinoline.—230 Kgs. p.a.—(NA)

M/s J.K. Soap Mills, Dhab Vasti Ram, Amritsar. (Delhi)—Fatty Acids—3,000 tonnes. Glycerine—300 tonnes—(NU)

M/s Indian Drugs & Pharmaceuticals Ltd; N-12, South Extension-I, New Delhi. (Hyderabad—A.P.)— Thiacetazone —5 tonnes. Vitamin B-6 and its derivatives—50 tonnes. Sulphadimethoxine—30 tonnes—(SE)

Textiles

M/s Parvathi Mills, Quilon, (Kerala) C/o N.T.O. Ltd; New Delhi. (Quilon—Kerala)—Cotton Cloth—Installation of 45 looms—(SE)

M/s Saraswati Woollen Mills (P) Ltd; Radha Orchards, P.O. Chiliyanaula, Ranikhet, (U.P.) (Almora, Uttar Pradesh)—Shoddy Yarn—600 Shoddy Spindles.—(NU)

M/s E. Sefton & Co. (P) Ltd; Jabalpur Road, Mirzapur—(Mirzapur—Uttar Pradesh)—Shoddy Yarn—600 spindles—(NU)

M/s Madhya Pradesh Woolen Mills, 16-Horizon-View, Foreshore Road, Bombay-1. (Dewas—Madhya Pradesh)—Shoddy Yarn—600 spindles—(NU)

M/s Swastik Woollen Industries (P) Ltd; Johari Mansion, 259, Kalbadevi Road, Bombay. (Alwar—Rajasthan)—Shoddy Yarn—600 spindles—(NU)

Paper & Pulp including Paper Products

M/s PNB Finance Ltd; (Project Division), B/45-47, Cannaught Place, New Delhi. (Karnal—Haryana)—Corrugating Medium —7,260 tonns—(NU)

M/s IPCO Paper Mills Ltd; Elphinstone Mills (Leather Division), Compound, Delisle Road, Bombay. (Maharashtra)—Industrial Papers—10,000 tonnes. Paper Board—2,000 tonnes. White Printing Paper—3,000 tonnes—(NU)

M/s Andhra Pradesh Rayons Ltd; 12-597/15, Gagan Mahal, Hyderabad. (Warangal—Andhra Pradesh)—Rayon Grade Pulp —26,250 tonnes—(NU)

M/s Cellulose Products of India Ltd; P.O. Kathwada, Ahmedabad. (Ramol—Gujarat)—Moulded Corrugated Boards—2,500 tonnes. Straw Board & Mill Boards—2,500 tonnes. Duplex Board—4,000 tonnes. Kraft Paper—2,000 tonnes—(NU)

Sugar

M/s The Chodavaram Co-operative Sugars Ltd; Govada, Chodavaram Taluk, Visakhapatnam. (Visakhapatnam—Andhra Pradesh)—Sugar—1,600 tonnes—(SE)

Fermentation Industries

M/s Terna Shetkari Sahakari Sakhar Karkhana Ltd; Dholi, Ozmanabad, Post Ternanagar. Maharashtra. (Dhoki—Maharashtra)—Industrial Alcohol—4.5 Mill. Liters.—(NA)

Glass

M/s Western India Plywood Ltd; P.O. Baliapatam, Cannanore, Kerala. (Cannanore—Kerala)—Glass Reinforced Plastic

Pre-impregnated Glass Fibre of various moulded shapes for industrial & commercial applications—800 tonnes—(NU)

Letters of Intent

Metallurgical Industries (Ferrous)

M/s Usha Martin Black (Wire Ropes) Ltd; 14, Princep Street, Calcutta. (Jamshedpur—Bihar)—High Carbon, High Tensile and Free Cutting Steel wire rods (with minimum coil weight of 400 kgs.)—50,000 tonnes—(NA)

Metallurgical Industries (Non-Ferrous)

M/s Electromelt Orissa (P.) Ltd; P.O. Box No. 69, Sutahat, Cuttack. (Mayurbhanj—Orissa)—Zinc Ingots—1,000 tonnes —(NU)

Fuels

M/s Oil India Limited, P.O. Duliajan, Dibrugarh, Assam, (Dibrugarh—Assam)—Liquefied Petroleum Gas—50,000 tonnes (after expansion)—(NA)

M/s Nagpal Petro-Chem Ltd; Jolly Maker Chambers No. 1, Office No. 16, 1st Floor, Plot No. 227, Nariman Point, Bombay. (Chingleput—Tamil Nadu)—Transformer Oil—17,000 tonnes. White Oil, Buffer Oil & Refrigeration Oil—12,000 tonnes. Rubber Extenders—5,500 tonnes. Petroleum Jelly—1,300 tonnes. Aluminium Rolling Oil—3,000 tonnes. Oleum/Sulphuric Acid—6,000 tonnes. Total:- 44.800 Tonnes (Feed Stock)—(SE)

Electrical Equipments

M/s Anoop Kumar, 75, C—Park Street, Calcutta, (Kandla Free Trade Zone—Gujarat)—Integrated Mica Paper (Electrical Grade)—500 tonnes. Mica Paper based Electrical insulating products—300 tonnes—(NU)

M/s Jyoti Switchgears Ltd; P.O. Mogal, Anand, Kaira. (Kaira, Anand, Gujarat)—L.T. Air Circuit Breakers, 415V, 50 C/s with hand or motor drive incorporating under voltage and/or shunt-trip together with overload and short circuit protection trip. 250 Amp., 400 Amp., 630 Amp (12 KA to 35 KA—3,700 nos. and 1250 Amp., 1600 Amp. (upto 45 KA)—300 nos.—(SE)

M/s Electronics Corpn of India Ltd; Industrial Development Area, Cherlapalli, Hyderabad. (Hyderabad—A. Pradesh)—Ferrite Core Memory—100 million bits.—(NA)

Shri Kumar Harve, 10, Jainiketan, 53/16th Road, Khar, Bombay. (Maharashtra)—Medium Frequency, High Frequency Radio Frequency, Solid State Induction Melting Furnaces—20 power units and 50 Furnaces. Induction Billet Heaters—3 Multi Station Unit. Induction Hardening Plants—5 plants. —(NU)

M/s Punjab State Industrial Development Corpn. Ltd; SCO 54-56, Sector-17A, Chandigarh. (Ropar—Punjab)—Gas Filled Tubes—50,000 nos. Fluorescent Display Devices—300,000 nos. —(NA)

M/s J & K State Industrial Development Corpn. Ltd; Haft Chinar, Srinagar. (Srinagar, J & K State)—Oscilloscopes—100 nos. Digital Voltmeters and Ammeters—250 nos.—(NA)

Transportations

M/s Micro Pistons & Rings Ltd; 76-B/8, Erandavana, Poona. (Haveli, Poona, Maharashtra)—Pistons—6 lakh nos. Piston Pins—6 lakh nos.—(NA)

M/s Jay Engg. Works Ltd; 23, Kasturba Gandhi Marg, New Delhi. (Hyderabad—Andhra Pradesh)—Press Tools—Rs. 40 lakhs. Dies & Moulds—Rs. 40 lakhs. Jigs & Fixtures—Rs. 15 lakhs. Special gauges including receiver gauges, etc.—Rs. 5 lakhs—(NA)

M/s Balmer Lawrie & Co. Ltd; 5, Graham Road, Ballard Estate, Bombay. (Aroor, Alleppey, Kerala)—Marine Freight Containers—5000 nos.—(NA)

Shri M.P. Taparia, 17/18, Shah Industrial Estate, Meera Desai Road, Bombay. (Dharmapuri—Tamil Nadu)—Pistons—4 lakh nos.—(NU)

Industrial Machinery

M/s Govt. Central Industrial Workshop, Mysore Road, Bangalore. (Bangalore—Karnataka)—Detergent Plant—4 units valued at Rs. 3 crores. Continuous Soap making plant—4 units valued at Rs. 1 crore. Finishing Machinery Soap and Detergents—Rs. 1 crore—(NA)

M/s Rampur Engg. Co. Ltd; 4634, Ajmere Gate, Delhi. (Shahdara—Delhi)—Belt Conveyors, Bucket Elevators and Screw Conveyors and others 1,200 tonnes—(SE)

M/s Mysore Kirloskar Ltd; P.O. Yantrapur, Harihar, Karnataka (Harihar, Chitradurga,—Karnataka)—Cylindrical Roller Bearings, Angular contact ball bearings, Taper Roller bearings upto 16" outside dia)—15,000 nos.—(NA)

Agricultural Machinery

M/s Punjab State Industrial Development Corpn., S.C.O., 54, 55, 55, Sector-17-A, Chandigarh. (Punjab)—Self-propelled Combine Harvesters—500 nos.—(NU)

M/s Escorts Tractors Ltd; Escorts House, Roshanara Road, Delhi-7. (Ballabgarh, Gurgaon—Haryana)—Ford 4600 (62.3 HP) type Tractors—2,000 nos. within the licensed capacity of 6,000 nos of tractors—(NA)

Miscellaneous, Mechanical & Engg. Industries

M/s Larsen & Toubro Ltd; L & T House, Ballard Estate, Bombay. (Bombay, Maharashtra)—Specialised Tools—Rs. 100 lakhs—(SE)

Shri M.M. Lal, Expanded Plastics, 605, Rohit House, Tolstoy Marg, New Delhi. (Backward Distt; U.P.)—Synthetic Wood Profiles (Polystyrene) from Non-Petrochemical route—600 tonnes.—(NU)

Commercial, Office & Household Equipment

M/s Godrej & Boyce Mfg. Co. (P) Ltd., Godrej Bhavan, Home Street, Bombay. (Vikhroli, Bombay—Maharashtra)—Domestic Refrigerators.—1 lakh nos. Compressors—3,500 nos.—(SE)

Industrial Instruments

M/s Bestobell India Ltd; 311-312, Ansal Bhavan, 16-Kasturba Gandhi Marg, New Delhi. (Calcutta—West Bengal)—Bourdons —10,000 nos.—(NA)

Chemicals (Other than Fertilizers)

M/s Bihar Oxygen Corpn., Neory Vikas, Ranchi. (Ranchi—Bihar) — Oxygen Gas—1 MCM, D/Acetylene Gas—0.20 MCM.—(SE)

M/s H. Mumtaz & Co., 1-Coloot ola Street, Calcutta.(Bokaro, Dhanbad, Bihar)—Anthraquinone—660 M. tonnes. Anthracene

Residue-376I" Effluent Gases mainly Co. 2 manufacturing for Carbonate (Magnesium) or ppt Silica.—190 M. tonnes—(NU)

M/s Nuchem Plastics Ltd; 20/6, Mathura Road, Faridabad. (Broach—Gujarat)—Polycarbonate Resins—1,000 tonnes. Phosgene—750 tonnes—(NU)

M/s Hindustan Paper Corpn. Ltd; D-44, NDSE Pt. II, New Delhi. (Cachar—Assam)—Caustic Soda—20,000 tonnes. Fused Caustic Soda Chlorine—17,600 tonnes. Chlorine Liquid—10,000 tonnes H.C.L.—6,000 tonnes. Calcium Chloride—10,000 tonnes—(NU)

M/s Hindustan Paper Corporation Ltd; D-44, N.D.S.E. Part. II, New Delhi. (Morigaon, Nowgong—Assam)—Caustic Soda—20,000 tonnes. Fused Caustic Soda Chlorine—17,600 tonnes. Chlorine Liquid—10,000 tonnes. H.C.L.—6,000 tonnes Calcium Chloride—10,000 tonnes—(NU)

M/s Durgapur Chemicals Ltd; 6-Little Russel Street, Calcutta-16. (Durgapur, Burdwan—West Bengal)—Caustic Soda - 33,000 tonnes—(SE)

M/s U.P. State Industrial Development Corpn. Ltd; 117/130. Sarvodaya Nagar, Post Box 413, Kanpur. (Backward Distt—U.P.)—Citric Acid—1,500 tonnes—(NU)

Shri Abhay S. Bharaktiya, C-101, Greater Kailash, New Delhi. (Matura—U.P.) — Fenitrothion Technical.—250 M. tonnes. Ethion Technical—75 M.T. Thiameton Technical—75 M.T. Phorate Technical—100 M.T.—(N.U.)

M/s S.M.P. Pvt. Ltd; Subhash Road, Jogeshwari (E), Bombay. (Kolaba—Maharashtra)—Fenitrothion Technical. —300 tonnes—(NU)

Shri Narendra I. Bhuva, C/o M/s Indo-Nippon Chemical Co. Ltd; Maker Bhavan, No. 2, 18-New Marine Lines, Bombay. (Amreli—Gujarat)—Caustic Soda—33,000 tonnes. Chlorine—29,800 tonnes—(NU)

M/s Industrial Oxygen Co. Pvt. Ltd; Majithia Industrial Estate, Sunderbaug, Deonar, Bombay. (Belgaum—Karnataka)—Dissolved Acetylene Gas—0.20 MCM.—(SE)

M/s Rallis India Ltd; 21, Raveline Street, Fort, Bombay—1. (Roha—Maharashtra)—Chemical Auxiliaries and Intermediates (Guar Gum Derivatives) namely Oxydates, Oxyethylates, Carboxymethylates, Sulphonates, Alkylates, Methylates and Chlorates, based on natural Polysaccharides and Starches—3,000 tonnes—(NU)

M/s Asian Paints (India) Ltd; 5th Floor, Nariman Point, Bombay. (Maharashtra)—Acrylic Automative Refinishing Lacquers—1,375 tonnes. Alkyd based Automotive Refinishing Enamels—225 tonnes—(SE)

M/s Rasoi Vanaspati & Industries Ltd; 20, Sir R.N. Mukherjee Road, Calcutta. (Nadia—West Bengal)—Furfural—6,000 tonnes—(NU)

M/s Hindustan Organic Chemicals Ltd; (A Govt. of India Enterprise), P.O. Rasayani, Kolaba. (Rasayani, Kolaba, Maharashtra)—Nitrobenzene—22,000 tonnes. Acetanilide—4,000 tonnes. Aniline—12,000 tonnes—(SE)

M/s Hindustan Organic Chemicals Ltd; P.O. Rasayani, Kolaba. (Panvel, Kolaba, Maharashtra)—Acetaldehyde—5,500 tonnes. Acetic Acid—3,000 tonnes. Acetic Anhydride—2,000 tonnes—(NA)

M/s Synthetics & Chemicals Limited, 7-Jamshedji Tata Toad, Bombay. (Bareilly—U.P.)—Butadiene Catalyst—60 M.T.—(NA)

M/s Cyanamid India Ltd; Nyloc House, 254-D2, Dr. Annie Besant Road, Bombay. (Atul, Bulsar, Gujarat)—Thiotepa—328.7 grams. Methotrexate—3820.5 grams. Calcium Leucovorin—596 grams—(NA)

M/s Chemical Industrial & Pharmacluticals Laboratories Ltd; 239, Bellasis Road, Byculla, Bombay Central, Bombay. (Bombay—Maharashtra)—Ulcenil Tablets (50 mg.)—corresponding to 500 kg. of Corbonoxolons—(NA)

Textiles

M/s Modi Spinning & Wvg. Mills Co. Ltd; Modinagar. Distt: Meerut, U.P. (Aurangabad—Maharashtra)—Terry Towels—16,000 spindles and 226 looms—(NU)

M/s The Arvind Mills Ltd; P.O. Box No. 56, Naroda Road, Ahmedabad-2. (Ahmedabad—Gujarat)—Cotton Yarn—96,274 spindles—(SE)

M/s The Delhi Cloth & General Mills Co. Ltd; Akash Deep, Barakhamba Road, New Delhi. (Kota—Rajasthan)—Viscose Rayon Tyre Cord Yarn—2,000 tonnes—(SE)

M/s Bhilwara Processors Ltd; 24, Community Centre, East of Kailash, N-Delhi. (Bhilwara, Rajasthan)—Processing of Synthetic Fabrics—15 lakh metres—(NU)

M/s Shanti Textile Mills Pvt Ltd; L.B. Shastri Marg, Ghatkopar, Bombay. (Maharashtra)—Synthetic Knitted Fabrics. Warp Knitting Machines—2 nos. Raschel Knitting Machines—2 nos. (Corresponding to a total consumption of 80 tonnes of Caprolactum/DMT)—(NA)

M/s Dharampal Brothers (P) Ltd; Kurla-Andheri Road, Sakinaka, Bombay—(Bombay, Maharashtra) — Wrap Knitting Machines for the manufacture of Synthetic Knitted Fabrics—3 nos.—(NU)

M/s Ramkumar Mills Pvt. Ltd; 'Sudhama House', Chickpet, Bangalore—(Bangalore-Karnataka)—For processing of only Cotton and purchased Art Silk and Synthetic Fabrics—90 lakh metres—(NU)

Paper and Pulp including Paper Products

M/s The K.C.P. Limited, 38, Mount Road, Madras.—(Krishna-Tamil Nadu)—Paper (Writing and Printing, Packing and Wrapping)—10,000 tonnes—(NU)

Shri Indar Singh Gill and his Nominees, H-1, Datta Guru Co-operative Housing Society, Devnar, Bombay—(Hoshiarpur—Punjab)—Pulp—15,000 tonnes. Cultural Paper—7,500 tonnes. Kraft Paper—7,500 tonnes—(NU)

M/s Orient Paper Mills Ltd; P.O. Brajranjnagar, Distt. Sambalpur—(Sambalpur—Orissa) — Pulp and Paper—91,000 tonnes—(SE)

M/s Bilaspur Spinning Mills & Industries Ltd; 12-Government Place East, Calcutta—(Backward Distt: MP)—Speciality Paper from Hard Wood and Bamboo—5,4000 tonnes—(ND)

Shri G. Narasimha Reddy, 1-2-66, Domaluda, Hyderabad—(Bastar, Madhya Pradesh)—Tissue Paper White—1,500 tonnes.

Tissue Paper Coloured—1,500 tonnes, Poster Paper White—2000 tonnes. Poster Paper Coloured—1,600 tonnes—(NU)

Fermentation Industries

M/s Sarabhai Chemicals Ltd; Wadi Wadi, Baroda—(Baroda—Gujarat)—Bacterial Anylase—315×10^7 units, Amylo—Gluco-sidase —525×10^8 units—(NA)

Vegetable Oil & Vanaspati

M/s The Tamil Nodu Co-operative Marketing Federation Ltd; 40-A, St. Mary's Road, Madras-18—(South Arcot—Tamil Nadu)—Vegetable Oil—10,000 tonnes in terms of Sunflower/Minor Oilseeds)—(NU)

Rubber Goods

M/s Meghalaya Industrial Dev. Corpn. Ltd; Room No. 413, Meghalaya Addl. Sectt. Bdlg; Shillong-1—(Khasi Hills, Meghalaya)—Conveyor Belting 600 tonnes, Automotive Fan & Industrial 'V' Belts—5 lakhs nos.—(NU)

Leather, Leather Goods & Pickers

M/s Tannery & Footwear Corpn. of India Ltd; 13/400, Civil Lines, Hazari Bungalow, (Kanpur—Kanpur—U.P)—Shoe Uppers—5 lakhs pairs—(NA)

M/s South East Tanning Co., 4-5, Vepery High Road, Periamet, Madras (North Arcot—Tamil Nadu)—Shoe Uppers—5 lakh pairs—(NA)

M/s Benil Leather Corpn., 51, Vepery High Road, Madras—(Chinglept—Tamil Nadu)—Shoe Uppers—5 lakh pairs—(NA)

Cement and Gypsum Products

M/s Sonar Paper Products (P) Ltd; E-2/4, Vasant Vihar, New Delhi—(Paonta, Kalka, Himachal Pradesh)—Asbestos Cement Products—36,000 tonnes—(NU)

M/s Hyderabad Asbestos Cement Products Ltd; Sanatnagar, Hyderabad—(Bhagalpur, Bihar)—Compressed Asbestos Cement Sheets—24,000 tonnes—(NU)

Timber Products

M/s The Western India Plywood Ltd; Mill Road, P.O. Balipatam, Cannanore (Cannanore—Kerala)—Fibre Board (Hard Board, Semi-Hard Board and Soft Board)—20,000 tonnes—(SE)

Change in the Names (Owners or Undertakings)

(Information pertains to particular licences only)

From Shri K.R. Dadyburjor; Promoter, M/s Alasson Pulp & Paper Ltd; Fort, Bombay to M/s Alasson Pulp & Paper Ltd; Bombay.

From M/s UP State Sugar Corpn. Ltd; Lucknow to M/s Chandpur Sugar Co. Ltd; Chandpur, Bijnor, UP.

From M/s South India Flour Mills Pvt. Ltd; Madras to M/s Hindustan Flour Mills, Madras.

From M/s Punj Sons Pvt. Ltd; New Delhi to M/s Fedders Lloyd Corporation (P) Ltd; New Delhi.

From M/s Burmah Shell Refineries Ltd; Bombay to M/s Bharat Refineries Ltd; New Delhi.

From M/s Mysore Chemicals & Fertilisers Ltd to M/s Gammon India Limited (Enterprise) viz. M/s Gammon Fer-Chems, Bombay.

From M/s Nav Bharat Enterprises (P) Ltd; Hyderabad to M/s Avanti Leathers Ltd; Hyderabad.

From M/s K.G. Khosla & Co. Pvt. Ltd; New Delhi to M/s K.G. Khosla Compressors Pvt. Ltd; New Delhi.

From M/s UP State Industrial Dev. Corpn. Ltd; Kanpur. (M/s UP Magnesite Ltd.) to M/s Almora Magnesite Ltd.

From M/s Chowgule & Co. (Hind) Pvt. Ltd; New Delhi to M/s Chowgule & Co. (Hind) Ltd; New Delhi.

Licences/Registration Certificates, Revoked, Surrendered and Lapsed

(Information pertains to particular licences only)

M/s Apar Pvt. Ltd; Nadiad, Gujarat—Electronic Components. (Cancelled)

Shri Kashi Nath Rajgarhia, D-7/6, Vasant Vihar, New Delhi.—Pulp and Writing & Printing Paper. (Revoked)

M/s Shree Hanuman Sugar & Industries Ltd; Calcutta—Pulp & White Printing Paper. (Revoked)

M/s Dulichand Omraolall, 4-Chittaranjan Avenue, Calcutta-72—Cottonseed Oil. (Revoked)

M/s Ferro Alloys Corpn. Ltd; Tumsar, Maharashtra—Fused Alumina, etc. (Cancelled)

M/s Southern Cables Corpn. Ltd; Madras—Rubber Insulated Cables, LT & HT Cables, Railway Signalling Cables, etc. (Revoked)

M/s Bagalkot Udyog Ltd; Bagalkot, Bijapur, Karnataka State—Portland Cement. (Revoked)

Shri Ramesh R. Gupta, 87, Nagdevi Cross Lane, Bombay—Paper & Paper Boards. (Revoked)

Shri Arjun Singh, 8713, Aram Ganj, Delhi—Pulp & Paper. (Revoked)

M/s Himachal Preserved Foods Pvt. Ltd; New Delhi—Apple Juices & Cider, Pectin, etc. (Revoked)

M/s Textile Machinery Corpn. Ltd; Calcutta—Diesel Road Rollers (8-10 tons). (Revoked)

M/s Mahindra & Mahindra Ltd; Apollo Bunder, Bombay—Wire Wound Resistors (Professional Grade). (Cancelled)

Shri Shashi V. Mansata, M/s V.B. Semiconductors Ltd; Bangalore—Semiconductor Devices (Transistor/Diodes). (Cancelled)

M/s Standard N. Traditional Products Pvt. Ltd; c/o Mr. S.N. Tavaria, Bombay—Glass Fibre Reinforced Plastic Products. (Cancelled)

M/s Marshal Industries of India, New Delhi—Bicycle Steel Balls. (Cancelled)

Letters of Intent Rejected and Surrendered

(Information pertains to particular letters of intent only)

M/s Haryana State Industrial Dev. Corpn. Ltd; Chandigarh—Caustic Soda. (Cancelled)

M/s Suraj Industrial Packing Ltd; Lucknow—Caustic Soda. (Cancelled)

M/s Epsilon Electronics Pvt. Ltd; Bombay—Malleable Iron Pipe Fittings. (Cancelled)

M/s Geep Flashlight Industries Ltd; New Delhi—GLS Lamps & Fluorescent Tubes. (Surrendered)

M/s K.G. Khosla & Co. (P) Ltd; New Delhi—Wagon Drills. (Expired)

M/s New Chemi Industries Pvt. Ltd; Bombay—Malathion Tech. (Closed)

M/s The Kerala State Industrial Corpn., Trivandrum—Soda Ash/Ammonium Chloride. (Cancelled)

M/s Rajasthan State Indl. & Mineral Development Corporation Ltd; Jaipur—Caustic Soda. (Surrendered)

Shri M.C. Lalla, M/s Automotive Corpn. of India, Poona—Scooters. (Closed)

M/s Northern Enterprises Corporation Pvt. Ltd; New Delhi—High Protein Nutro Biscuits, etc. (Lapsed)

M/s Suraj Industrial Packing Ltd; Lucknow—Caustic Soda. (Cancelled)

M/s Indian Rayon Corpn. Ltd; Veraval-2—Trichloroethylene and Perchloroethylene. (Cancelled)

Shri S.S. Sankaralingam, Sivakasi—Red Phosphorous. (Cancelled)

M/s Kerala State Indl. Development Corpn. Ltd; Trivandrum—HDPE Sacks. (Cancelled)

Shri G.P. Goyal, 3/5, Asaf Ali Road, New Delhi—Paper. (Cancelled)

Shri R.L. Jain, c/o Paragon Industries, Fatehpuri, Delhi—Maize Products. (Cancelled)

M/s Siemens India Ltd; Worli, Bombay—Cobalt Radio Therapy Units. (Cancelled)

Mrs. A.M.P.A. Valliammai Achi, 5, Raman Street, Madras-17—Freon Gas. (Lapsed)

M/s Poddar Estates Ltd; Hongkong House, Calcutta—Paper. (Cancelled)

Shri Suresh Shantilal Patel, 'Sanskar', Ahmedabad—Chloromethenes. (Cancelled)

M/s Aruna Sugars Ltd; 11-A/I, Mount Road, Madras-2—Paper. (Cancelled)

Shri O.P. Goel, 35, Nizamuddin (E), New Delhi—Paper. (Cancelled)

Shri Parmod Bhal, 76, New Okhla Indl. Complex, Phase-I. New Delhi—Paper. (Cancelled)

Shri Vivek N. Bhaskar, New Delhi—Refractory Monolithics and Bonds. (Cancelled)

Shri Om Prakash Nevatia, 4540, Bhabi Bazar, Bhatinda—Paper. (Cancelled)

Shri H.S. Mahashwari, Prospect House, Bombay-1—Paper. (Cancelled)

Shri Raj I. Garg, New Delhi—Paper. (Cancelled)

Shri H.S. Grewal, Chandigarh—Paper. (Cancelled)

Shri Ramesh Chander G. Shah, Bombay-7—Aluminium Foils. (Cancelled)

M/s Travancore Chemicals & Mfg. Co. Ltd; Kalamassery, Alwaye, Kerala—Barium Carbonate, etc. (Cancelled)

Shri Arun K. Jain, 32, Hanuman Road, New Delhi—Refrigerant Gases. (Lapsed)

Shri Ashok K. Kajaria, Calcutta-19—H.T. Bolts & Nuts. (Cancelled)

Shri J.K. Saraf, Bombay—Paper. (Cancelled)

M/s Hindusthan Development Corpn. Ltd; Calcutta—Caustic Soda. (Surrendered)

Shri Anil Kumar, Delhi—Gears for Automobiles & Tractors. (Cancelled)

M/s National Floated Glass Mfg. Co., Ahmedabad—Polished Plate Glass, Float Glass. (Cancelled)

Shri O.P. Kajaria, Calcutta—Castallated Beam & Broad Flanged Beam, etc. (Cancelled)

Shri K.S. Taneja, New Delhi—Semi-conductor Devices. (Cancelled)

Shri R.P. Kapur, Herald House, 2nd Floor, New Delhi—Electrolytic Capacitors. (Revoked)

Shri K.K. Verma, Madras—Textile Spindles & Bolster Insert Combination. (Lapsed)

Shri D.N. Khandke, Pedder Road, Bombay—Hard Rubber Containers for Storage Batteries. (Lapsed)

Smt. Sushila Aggarwal, Bungalow No. 10, Puna—Hard Ferrites; Substrates. (Lapsed)

M/s Kores (India) Ltd; Off: Dr. Moses Road, Worli, Bombay—Paper. (Cancelled)

Shri D.R. Sondhi, Panch Shila Park, New Delhi—Hand & Cutting Tools. (Cancelled)

Shri Harsh Kumar Chopra, B-258, Greater Kailash-I, New Delhi—Forged Steel Pipe Fittings. (Cancelled)

M/s Vijay Mills Co. Ltd; Naroda Road, Ahmedabad-2—Borax & Boric Acid. (Lapsed)

M/s Poddar Services Ltd; Hong Kong House, Calcutta-1—Mica Paper, etc. (Lapsed)

Shri J.M. Deb, c/o Frontier Engg., Panbazar, Gauhati—G.L.S. Lamps. (Lapsed)

Shri Ramesh Kumar Maheshwari, c/o M/s Bharat Enterprises, 42, Frazer Road, Patna-1—G.L.S. Lamps. (Lapsed)

M/s R. Sundararaman, M.I.E. (India) Madras—Current & Potential Transformers. (Cancelled)

The Managing Director, M.P. Audyogik Vikas Nigam Ltd; Bhopal—Caustic Soda/Chlorine. (Cancelled)

M/s Ganga Paper Mills, Jagdalpur—Paper. (Cancelled)

Shri Vidya Sagar, E-15, Bali Nagar, New Delhi—Paper. (Lapsed)

M/s Colour Cartons Ltd; Tiecicon House, Bombay—Packing Materials. (Cancelled)

Shri S.V. Balasubramaniam, 'Ram Niwas', Coimbatore—Writing and Printing Paper. (Cancelled)

M/s Titagarh Paper Mills Co. Ltd; Calcutta-1—Paper Making Machinery. (Lapsed)

FICCI background paper on indirect taxation

The Federation of Indian Chambers of Commerce & Industry (FICCI) held its 11th all-India conference of tax executives in the capital on October 29 and 30, 1976. The background paper presented by the FICCI on this occasion dealt with, among other things, the issues before the Indirect Taxation Inquiry Committee (Jha Committee). Given below is the full text of that part of the background paper which discusses the questions which need to be examined by the Jha Committee, particularly those dealing with excise duty, customs duty, sales tax, octroi and the value added tax (VAT).

THE POWER to levy indirect taxes vests in the central government, the state governments and the local bodies such as municipalities, notified area boards, panchayats, etc. Customs and central excise levies are the main indirect taxes imposed by the centre, whereas sales tax is the most important single source of revenue for the states. The local body collects various types of taxes such as octroi and the entry tax, mandi tax, etc. The tax base for indirect taxation is the amount of commodities, either in terms of value or volume that are produced, exchanged or transported.

Important Objectives

Indirect taxation is aimed to achieve, *inter alia*, the following important objectives:

- to provide revenue to the government to meet its expenditure;
- to provide development finance;
- to mop up excess profits;
- to reduce the inequality in real income distribution; and
- to bring about optimum and most efficient resource allocation.

More than 75 per cent of the tax revenue in India has been accounted for by indirect taxes. Total receipts from indirect taxation rose from Rs. 1040 crores in 1960-61 to an estimated figure of Rs. 8121 crores in 1975-76 or by 681 per cent. During the same period the national income at current prices increased by 370 per cent. As such, the ratio of indirect taxation to national income was up from eight per cent in 1960-61 to 13 per cent in 1975-76. In the case of the centre, during the year 1975-76, indirect taxes constituted 69 per cent of the total tax revenue; in the states' consolidated tax revenue, yield from indirect taxes ranged up to 86 per cent.

The growth of indirect taxation over the years has been haphazard and the decisions have been ad-hoc. An overall scientific approach has been missing. Government has, therefore, appointed a committee under the chairmanship of Mr. L.K. Jha, Governor, Jammu and Kashmir, to examine the whole system of indirect taxation. The terms of reference are wide-ranging and include a review of the existing structure of indirect taxes, its impact on economic use of resources, costs and prices, the feasibility of adopting value added tax, the conditions for grant of concessions, the necessity of import duties as a means to aid import trade control, etc. The committee is expected to submit its report by the end of July, 1977.

Against the general background outlined above it may be relevant to examine certain specific issues relating to individual taxes like excise and customs duties, sales-tax and octroi. What is important, the structure of taxation must be national and consistent. In devising such a tax structure, considerations of revenue are not so important. For, once an appropriate and simplified structure is adopted, necessary revenue can always be raised by fixing the rates at the requisite levels.

At the time of independence, excise duties were levied on a few commodities and the revenue netted was only about Rs 51 crores. Today excise duties are levied on more than 124 commodities. Any commodity which has not been specifically mentioned among these 124 commodities bears tax at one per cent *ad valorem*. Most of the taxes are *ad valorem*, but there are some which are specific, and a few a combination of both. In addition to the

Collection of Indirect Taxes by Centre, the States and the Local Bodies (Rs crores)

Year	Centre	States & local bodies	Total
1960-61	586	454	1040
1961-62	702	488	1190
1962-63	845	563	1408
1963-64	1064	650	1714
1964 65	1199	732	1931
1965-66	1437	836	2273
1966-67	1619	975	2594
1967-68	1662	1117	2779
1968-69	1767	1246	3013
1969-70	1948	1405	3353
1970-71	2283	1581	3864
1971-72	2757	1758	4515
1972-73	3181	1994	5175
1973-74	3599	2277	5876
1974-75 (Estimated)	4563	2704	7267
1975-76 (Estimated)	5180	2941	8121

basic excise duties, additional excise duties in lieu of sales tax are levied on sugar, tobacco and textiles. Auxiliary duty is leviable on 25 commodities. The maximum rate of basic duty as well as auxiliary duty is prescribed by Parliament. However, the executive has the power to reduce or increase the rate within the upper-limit sanctioned by the Parliament. This upper-limt is known as the tariff rate while the rate in force is known as the effective rate. Excise duties fill the major part of the tax revenue of the Central Government. The yield has shot up from Rs. 51 crores in 1948-49 to Rs. 4085 crores in 1976-77 (BE). The latter would be 52 per cent of the total tax revenue as compared to 13 per cent in 1948-49. In point of fact, customs and central excise duties together would contribute about 71 per cent of the total tax revenue in 1976-77.

States' share

Excise duty is being shared between the union and state Governments according to the recommendations of the Finance Commission. So far it was only the basic excise duty which was shared. However, from the financial year 1976-77, auxiliary duties are also being shared. The share of the State Governments, as recommended by the Sixth Finance Commission is 20 per cent of the net proceeds of excise duties on all commodities other than duties and cesses earmarked for specific purposes, and is distributed among the States in accordance with the percentages suggested by the Commission.

Until 1960s excise duties were mainly specific. A gradual shift over to *ad valorem* rates was made to take advantage of the price rise. This has in fact tended to enhance the inflationary potential of the economy. Excise duty is levied on goods at different stages of production *viz* raw materials, intermediates components and finished goods. The result is that the cumulative tax is much more than the rate on the final product. In the case of automobiles for example excise duty is paid on steel sheets, various parts and components, as also on the final product. This cascading effect makes planning of tax incidence difficult, raises prices unduly and distorts resource allocation. The cascading effect has been pretty strong in the case of engineering products, consumer durables, automobiles, etc. Moreover, despite the elaborate formula devised for working out duty drawbacks the full incidence of various taxes is not rebated in the event of exports.

Excise duties are subject to concessions which are given fully or partially to manufacturers, based on the quantum of production, value of production, manpower employed, process of production, use of power, type of raw materials, end use of the products, etc. This scheme has its own merits and demerits.

Ad Hoc Policy

As stated earlier, the history of taxation in our country is marked by *ad hocism* rather than influenced by long terms policy objectives.

Would it not, therefore, be more rational to devise a tax mix which would result in more than proportionate increase in tax revenue with the increase in the national income? If so, would it be possible to indentify the commodities which have a higher tax potential?

Industrial capacity and capital investment already committed to production of goods should not be left idle by curbing demand through higher tax rates.

If production of some items or future investment in certain directions needs to be restrained, should it not be done through licensing policy itself rather than taxation? How can the two be coordinated?

Multiplicity of Taxation

The most important point with regard to commodity taxation would be to avoid multiplicity of taxation and eliminate its cascading effect.

Would it not, therefore, be better to levy tax on final product only rather than taxing raw materials, intermediates, etc.? Further,

(a) while choosing commodities for taxation, how far would it be possible to give preferential treatment to commodities which encourage labour intensive technology?

(b) would it be desirable to give tax concession to industries set up in backward areas and help transfer of technology to the rural sector where the masses actually live?

(c) it is for consideration whether the existing system of the tax exemptions, full or partial, enjoyed by various group of assessees, and in particular by the small enterprises, which have led to undesirable aberrations, should not be replaced by graduated subsidies.

The main components of customs duty are the import and export duties and the principle objectives are protection to domestic industries and revenue to government. The collection from customs duty was Rs. 171 crores in 1960-61 and this has gone up to Rs 1,417 crores in 1976-77. Import duties are levied at the rate of 40 per cent, 60 per cent and 100 per cent depending upon the type of goods. Certain goods enjoy full or partial exemption. In addition to the above rates, auxiliary duties at the rate of 5, 15 and 20 per cent are also levied. Over and above these, countervailing duty equal to the existing rate of excise duty for a like commodity, is charged on most of the imported goods. Only a few exemptions have been permitted through specific notifications.

Export Duties

Exports duties are levied on a number of items such as hides, skins and leather, unmanufactured tobacco, mica, manganese ore, iron ore, black pepper, coffee, groundnut, etc. The main consideration in levying export duties has been the competitive position of goods in the international markets. The revenue from export duty has been gradually declining because the traditional commodities of export have met with strong competitions abroad.

Government have powers to vary the level of export duties within the maximum limit approved by Parliament. They have been making use of these powers fairly frequently, but the complaint of export trade, borne out of repeated experience is that Government usually takes an inordinately long time in reducing or abolishing export duties, with the result that by the time the relief is announced, damage has already been done.

The main difficulties the importers find with regard to customs duties are about classification and approval of value for assessment, and the interpretation of the import licence by the Customs authorities. The principle of 'predominant use' which has been accepted for classifying the items should be implemented as speedily as possible. There is also a lot of difference between the B.T.N. classification and the central excise classification. This creates difficulties in estimating the appropriate countervailing duty. The problem with regard to approval of assessable value is that often the customs authorities do not give credence to the importer who is in a position to import at a lower price. For example instances have been reported where importers who import in bulk are facing problems with regard to approval of price because their import price is lower than the price of other importers.

Dual Method

The objective of giving protection to domestic industry is achieved through import tariff on the one hand and import control on the other. This dual method of control mechanism is apt to lead to contradictions and undesired disruptions in economic activity.

> It is, therefore, relevant to ask whether instead of the multiplicity of regulatory measures it would not be more appropriate to exercise control through a single measure.
>
> In the context it may be questioned whether a restructuring of import tariff is not called for? If so in what manner?
>
> (a) How far it would be desirable to burden capital goods and raw materials with countervailing duties in lieu of excise duties in the country?
>
> (b) What should be the optimum level of the countervailing duties?

New investment has become sluggish because the capital cost of projects has increased significantly in the last 2-3 years.

> Would it not be desirable to reduce import duty on capital goods, particularly when such capital goods are not indigenously available?

Drawbcaks and Rebates

The present mechanism of drawbacks and rebates on export has not fully counter-balanced the impact of excise duties, sales tax, etc, on raw materials, intermediates and components, which enter into production process prior to the final manufacturing stage.

> Would it not, therefore, be desirable to introduce a system of tax credit certificates which would indicate the taxes paid at each stage and thus enable the authorities to assess the cumulative effect of indirect taxation and grant full rebate of these levies in the case of exports?

Revenue from sales tax has gone up from Rs. 163 crores in 1960-61 to Rs. 1606 crores in 1975-76. Sales tax revenue constituted 62 per cent of the total commodity taxes, and 54 per cent of the total tax revenue of the States. Sales tax is thus the back-bone of the states' tax system. The importance of sales tax varies from state to state. It is relatively more important in states such as Kerala, Gujarat, Maharashtra, Orissa, West Bengal, etc.

Broadly, the system of sales tax can be divided into three categories; single stage tax, multi-stage tax and a combination of two. The single stage tax can be levied at the point of manufacture, wholesale trade or retail trade. Multi-point tax is levied at all the points. multi-point taxes are levied in states such as Andhra Pradesh, Bihar, Kerala, etc. while single point levies are imposed in states such as Assam, Haryana, Jammu & Kashmir.

Sales tax is essentially a tax paid by the consumer. According to the Central excise Reorganisation committee, in 1963-64 the percentage of sales tax to consumer expenditure in the states varied from 3.8 per cent in Maharashtra to 0.6 per cent in Jammu & Kashmir. On an average, it was 1.9 per cent.

Considerable Difficulties

The rules and regulations, exemptions, rates etc. regarding sales tax differ from state to state. This has led to considerable difficulties for the business community. Apart from the states' sales tax, the sales are also subject to the central sales tax to the extent that they are inter-state in nature. While central government is empowered to enact legislation for central sales tax, its administration is looked after by individual states.

> Would it not be desirable to completely abolish sales tax and merge it with excise duties in the form of additional excise duty as in the case of tobacco, textiles and sugar? Would it not save a lot of difficulties being faced by the traders at present?
>
> If not, considering the diversities of sales tax in respect of rules and regulations, tax rates, etc, would it not be desirable to aim at some kind of uniformity in the sales tax structure throughout the country?

All expert bodies which have examined octroi and other local taxes came to the conclusion that octroi levy interferes with the free-flow of goods within the country. The Keskar Committee stated that octroi duty was a source of corrupt practices. The Taxation Enquiry Commission noted that it violates all cannons of taxation. Nevertheless, octroi has not been removed, replaced or reformed. One reason for this is that no satisfactory alternative, compatible with the autonomy of local authorities, has been devised.

Acute Problems

The problems caused by octroi are acute. The Report of Road Transport Taxation Enquiry Committee has stated; that detention time of trucks at octroi and other check-posts varied from 20 to 80 per cent of the vehicles' journey time. In certain cases trucks took 4-5 hours to cross the barriers. There are about 5000 such barriers throughout the country. On a rough estimate, the time lost by the trucks at these check-posts gives a figure of 50000 truck hours per day. The turnround of trucks and lorries will considerably improve with the abolition of octroi and the check-posts and this will help the movement of goods by Road Transport which roughly accounts for 35 per cent of the total haulage. This means the country will be able to get 10 per cent additional transport capacity. The improvement in turn round of trucks and lorries, saving of diesel oil which has become scarce, and much costlier, and reduction in incidental expenses involved in the process will, in turn, facilitate reduction in cost of operation of road transport.

All the efforts to abolish octroi or replace it with any other suitable form of taxation have not met with success so far, except in the case of Madhya Pradesh where recently some measures to replace octroi by entry tax were introduced. However, these have also reportedly created many other problems and difficulties for trade and industry. What is surprising is, that in spite of the severe criticism, the number of local bodies which are levying octroi duty is increasing.

Since octroi and the entry taxes are obnoxious forms of taxation, leading to a great deal of waste of time and resources of both administration and assessees, as also large scale evasion, *would it not be desirable to completely abolish the system of octroi and entry tax and compensate the local bodies such as municipalities and panchayats for the losses on this account by devising some other method of taxation which does away with the present abuses of octroi and the check-posts.*

It has been felt in certain quarters that it may be better if the existing system of cumulative levies by centre, states and local bodies is replaced by a value added tax (VAT). This is a single multipoint tax on the value of goods and services. The term 'value added' refers to the method of tax collection rather than to the eventual base of the tax. Tax is collected at every stage of production and distribution on the value added by each firm. The value added is the difference between the price (net of tax) at which the firm sells its products or services and the prices (net of tax) which it paid for the inputs and services of other firms. The element of tax in the price of inputs is known as input tax and the element of tax in the price of the products it sells is the output tax. While the total output tax is paid by each assessee, he is allowed to set-off the input taxes and hence he pays the difference between the output and input tax, or, in other words, tax on the value added by him in the production and distribution process. Thus, while the cumulative impact on a particular commodity or services is borne by the consumer, the tax is collected fragment by fragement at each stage of production and distribution.

The merit of VAT is that the tax does not spill over into industrial cost. VAT paid on all component goods or services brought in by the firm is automatically deducted from the tax it has to pay. This avoids the cascading effect of taxes which is otherwise existing in our present system. If goods are for export and no VAT is charged on sale, the exporter can claim back the tax, he has paid on his purchase. Hence the drawback of indirect taxes in export sales is full. Another merit of VAT arises from its broad based and relatively low uniform rates. It provides a large base for future tax increase.

However, the disadvantages of VAT are also many. Its introduction as a substitute for indirect taxes like excise duties and sales tax is largely a question of physical administration and maintenance of complete and detailed accounts. VAT requires basic training and education in the new principles of taxation. In the VAT system accounting will be more sophisticated and hence the assessee has to keep an accurate record of his inputs and outputs. In a country where literacy is low and where maintenance of systematic accounting is confined only to a small section of the business community, VAT is likely to create problems and confusion.

> While accepting the theoretical merits of the VAT, is such a tax feasible at the present stage of development? If not, what modifications are recommended?

In India, since various au-

TABLE 1

Distribution of Tax Revenue: Union Government

(Rs crores)

Year (1)	Direct Taxes (2)	Customs (3)	Central Excise (4)	Total of 3 and 4 (5)	Grand Total (6)	5 as percentage of 2 (7)
60-61	322.54	170.03	416.35	586.38	908.92	182
61-62	352.19	212.25	489.31	701.58	1053.75	199
62-63	440.25	245.96	598.83	844.79	1285.04	192
63-64	569.48	334.75	729.58	1064.33	1633.82	187
64-65	621.67	397.50	801.51	1199.01	1820.68	193
65-66	623.78	538.97	897.92	1436.89	2060.67	230
66-67	687.36	585.37	1033.37	1619.14	2306.50	235
67-68	691.08	513.35	1148.25	1661.60	2352.68	240
68-69	742.67	446.50	1320.67	1767.17	2509.84	238
69-70	875.45	423.31	5224.31	1947.62	2823.07	222
70-71	924.23	524.02	1758.55	2282.57	3206.80	247
71-72	1115.67	695.67	2061.10	2756.77	3872.44	247
72-73	1328.92	856.64	2324.25	3180.89	4509.70	239
73-74	1474.82	996.43	2602.13	3598.56	5073.38	244
74-75	1758.83	1332.90	3230.52	4563.42	6321.75	259
75-76(RE)	2288.92	1357.00	3823.62	5180.62	7469.54	226
76-77(BE)	2281.87	1470.00	4085.00	5555.00	7836.87	243

thorities have been vested with powers of taxtation, in order to bring out rationalisation, amendment to the Constitution would be required. Further, apart from amending the Constitution, some method would have to be devised to reimburse the loss of revenue to other authorities which would be deprived of the existing source of revenue. *How can such rationalization be achieved?*

There have been complaints from the state governments and local bodies that buoyancy of taxes, which they have been empowered to collect, is poor. In the circumstances the states may have to be assured that reimbursement by the central taxing authority will be flexible enough to meet their requirements. ***How can a compromise between autonomy in taxation and buoyancy of tax revenue be achieved in respect of different authorities?***

TABLE II

Finances of the State Governments (Rs. crores)

Year	Total Tax Revenue (States own)	Total indirect Taxes (total of col 4 to 10)	State Excise	Sales Tax	Motor Vehicle Tax	Entertainment Tax	Electricity Duty	Taxes on Passengers and goods	Other Taxes and Duties	Share of Union Excise	Indirect Tax as % of total tax revenue	Sales tax as % of indirect taxes
1	2	3	4	5	6	7	8	9	10	11	12	13
51-52	218.1	147.9	49.4	58.9	10.1	6.4	3.4	—	19.7	0.7	68	40
61-62	662.6	328.9	58.6	181.4	37.9	15.1	14.9	—	21.0	80.7	50	55
71-72	1695.3	1438.7	233.8	826.4	113.2	62.8	72.0	84.0	46.5	474.6	85	57
72-73	1928.5	1671.1	279.1	976.5	126.5	76.6	73.2	53.8	86.4	566.1	87	58
73-74	2305.4	1957.7	353.7	1142.8	148.4	99.6	81.3	114.2	17.7	628.4	85	58
74-75	2742.4	2371.9	378.3	1454.0	167.9	120.0	97.5	134.3	19.9	708.2	86	61
75-76	3000.6	2587.6	386.3	1605.8	184.0	132.4	101.1	152.9	25.1	770.1	86	62

TABLE III

National Income, Total Indirect Taxes & its Components (Rs. crores)

Year	National Income	Total Indirect Taxes	Customs Duty	Excise Duty*	Sales Tax	Stamps	Other Taxes and duties	4 as % of 3	5 as % of 3	6 as % of 3
1	2	3	4	5	6	7	8	9	10	11
60-61	13263	1040	171	468	163	40	198	16	45	16
61-62	13987	1190	213	541	186	44	206	18	45	16
62-63	14795	1408	247	660	214	46	241	18	47	15
63-64	16977	1714	335	781	275	55	218	20	46	16
64-65	20001	1931	398	873	321	61	278	21	45	17
65-66	20637	2273	539	992	378	66	298	24	44	17
66-67	23883	2594	586	1095	457	71	385	23	42	17
67-68	28102	2779	513	1269	526	85	386	18	46	19
68-69	28729	3013	446	1409	589	86	483	15	47	20
69-70	31770	3353	423	1604	679	98	546	13	48	20
70-71	34476	3864	524	1798	782	101	655	14	47	20
71-72	36535	4515	696	2278	854	123	564	15	50	19
72-73	39573	5175	857	2579	999	137	603	17	50	19
73-74	49148	5876	996	2906	1172	163	639	17	49	20
74-75 (Estimated)	60120	7267	1333	3609	1454	194	677	18	50	20
75-76 (Estimated)	62380	8121	1357	4209	1606	231	718	17	52	20

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Vol. 67 **November 12, 1976** **No. 20**

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VOL. 67 NO. 20 NOV. 12, 1976
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Leading Articles

Credit Containment 937
Funds for Farmers 938
Export Scene in Eastern India 939
Planning for Power 940
Capital's Corridors 942

Point of View

Options in Tubewell Irrigation —B. D. Dhawan 945
Attitude Towards Marriage Age —B. L. Tripathi & K. R. Pichholiya 947

Window on the World

The Precarious Pound—E. B. Brook 950
Economic Cooperation in South Asia —S. Venu 951
Old Continent is Getting Older —Jan Vitek 958

Trade Winds

Monetary Policy Tightened; Stable Prices; Soft Loans; Management Information System; Tariff Value of Sugar; Shipping to Assist Exports; Handloom Goods Exports; Indo-Philippine Co-operation; India-Iran Protocol; General Insurance; IATA Meeting; Coffee Export Duty; New Vessel for India Steamship; Steel Output; Family Planning Target; Price of Alcohol; Names in the News 960-962

Company Affairs

Indian Aluminium; HM Earthmoving Equipment Division; J. K. Tyre; Mahindra and Mahindra; Haryana Detergents; News and Notes; New Issues; Capital and Bonus Issues; Dividends; Licences and Letters of Intent 963-972

Records and Statistics

Foreign Currency (Non-Resident) Accounts Scheme, 1975 973

Credit containment

THE RAISING of the minimum cash reserves which the commercial banks are required to keep with the Reserve Bank of India from five to six per cent of their deposits ostensibly has been resorted to with a view to containing the inflationary pressures in the economy which had pushed up the wholesale prices index (Base: 1961-62 = 100) to 313.3 by the week ending October 16. At this level, the wholesale prices index was 30.9 points higher than the lowest level of 282.4 touched during the week ending March 20 in the downtrend which started after August 23 last year, and was only a shade (0.6 point) lower than the 1975 peak registered during the week ending May 24; as compared to the all-time peak of 330.7 hit during the week ending September 21, 1974, it was lower by 17.4 points.

The concern of the government over the rise of approximately 11 per cent in the wholesale prices index since the week ending March 20 undoubtedly would be shared widely, for, if unchecked it may lead to nearly 20 per cent inflation over the year. But it is a moot point whether only monetary controls can help in easing the situation.

What the above step implies is that the Reserve Bank will be immobilising for extension of credit by commercial banks funds to the extent of Rs 160/170 crores — over and above those siphoned off through central and state borrowings and stepping up of the minimum cash reserves ratio from four to five per cent earlier (this stipulation had immobilised about Rs 155 crores of the lendable resources of commercial banks). Simultaneously, it has been indicated that the refinance facilities are being tightened by the Reserve Bank. In all, it is estimated that approximately Rs 300 crores may be taken off the commercial banking system in the next few days.

The doubt about the efficacy of the latest step of the Reserve Bank arises primarily on two considerations. The first is that a similar step taken earlier has proved unsuccessful, as the wholesale prices index has continued to go up. Apparently the fresh accretion to the deposits of commercial banks has been outpacing the immobilisation of part of the funds available for lending purposes, because of not only the deposit mobilisation drive in the rural areas but also owing to sizeable rupee releases against remittances by Indians abroad. Secondly, there are some physical constraints on the curbing of advances to the industrial sector, despite the fact that credit is made available to this sector only for productive purposes. Credit for the procurement of foodgrains and export purposes too cannot be scaled down significantly.

The credit requirements of industry apparently have increased substantially for various reasons, including unabated rise in industrial costs and the accumulation of stocks with various industries (the most notable among them being steel and coal). If credit to industry, therefore, is curtailed arbitrarily in an attempt to contain the advances of banks, there can be no denying the fact that the encouraging rate of growth in industrial output this year, which has been of the order of about 13 per cent till lately, will get stalled not inconsiderably. This will only accentuate matters. The maintenance of the present tempo of industrial activity, not to speak of accelerating it further, will then require exploring of export outlets for an increasing number of industrial products. This has its own implications in as much as the supplies of goods in the domestic markets are concerned.

What really is needed today is stimulation of demand so that the accumulated stocks are used up making way for further production. Cutbacks in output will only add to inflationary pressures, besides raising production costs as well as leading to stagnation in the rate of economic growth. Pushing out of all types of products abroad at whatever prices they can command is not a judicious solution for the simple reason that the losses on exports will have to be ultimately borne, in one form or the other, by the domestic consumer.

How can demand be stimulated? An answer to this question lies in two fields, First, the sizeable food stock available at present, along with the comfortable foreign exchange situation, can help in the undertaking of some public works programmes — road building, minor and major irrigation, etc. — the people deployed on which can be paid their wages partly in foodgrains and partly in cash. Besides helping in the creation of employment, this will assist in enlarging the sphere of economic activity as the public works programmes obviously have to be taken up in the backward areas. Whereas the payment of wages in grains will not pose any problem, the cash component of the wages will undoubtedly raise the demand for various necessities of life.

import of raw materials

To meet this demand, imports of some raw materials can be arranged which will indirectly create additional resources with the government for developmental purposes as not only the yields from indirect taxes—import duties as well as excise levies, sales tax, etc—would get enhanced but also the receipts from corporate taxation. Imports of equipment and machinery of balancing nature to increase the installed capacity in the wage goods manufacturing sector can also yield wholesome results in a similar manner. To some extent, exports of foodgrains can assist in releasing the bank credit locked up in the accumulated stocks. But this will only add to the lendable resources with the banking system which will then have to be used elsewhere.

The second method of stimulating demand is the lowering of the prices of industrial products in particular. But can the manufacturers be expected to incur losses? Price reductions are feasible only over some period during which concerted efforts have to be made to bring down production costs. Over the short term, some downward revision in excise levies, of course, can be thought of—not necessarily at the expense of the overall revenue of the government as stimulated demand will enlarge the scale of production and, consequently, the base for excise levies.

It is significant to note that the most important factor that helped in bringing down the wholesale prices index between August 23 last year and March 20 this year was the pronounced decline in the prices of agricultural products, particularly foodgrains. The prices of industrial products did not show any substantial fall except in the case of a couple of industries such as jute goods and chemicals. On the contrary, in a number of cases, they somewhat went up. Apart from this, the uptrend in the wholesale prices index after March 20 has been caused by the reversal of the downtrend in the prices of most agricultural products, barring of course raw jute and mesta, and rise in the prices of such manufactured products as cloth, vanaspati and sugar. It will be a travesty to assume that banking credit to these industries has been responsible for the uptrend in the prices of their products or there has been a pronounced tendency on the part of manufacturers to withhold stocks.

No doubt credit expansion this year has been at nearly double the rate last year, but this has been caused not only by unprecedented procurement of foodgrains but also due to the factors mentioned above. Buffer-stocking of foodgrains, encouraging export trends, increased remittances from abroad as well as the stepping up of Plan outlays admittedly are inflationary in character in the short-term, howsoever desirable and essential they may be from the long-term interests. Their inflationary impact has to be mitigated through increasing the supply of goods in the domestic market, whether through increased production or imports. Unless some balance is kept between the supply of goods in the market and the overall money supply with the public, price distortions are bound to occur.

The provision of funds for buffer-stocking, of course, is not something which can be taken into consideration in planning for credit on a short-term basis. It is not a recurring phenomenon. Obviously once sufficient buffer stocks are built up, it then becomes primarily a process of recycling of funds. Seen in this light, the credit expansion that has taken place during the last 12 months for financing procurement of foodgrains for building up the impressive stock of nearly 17 million tonnes, should not bother us henceforth, though as suggested above this can be used for undertaking public works programmes in backward areas. Further, the funds used up in this process can provide a good lever for imparting flexibility to credit planning in the coming years. The credit policy, at present, thus, ought to be designed to meet the other requirements of the economy. Care has to be taken that it does not affect production. If it does, it will be a self-defeating policy.

Funds for farmers

IN VIEW of the recent increased activity in the agricultural sector in this country, the need for credit has expanded considerably. The cooperatives, which have been an important source of agricultural credit, have, therefore, come under scrutiny. Broadly, there are two wings of the cooperatives engaged in the distribution of agricultural credit. One wing (agricultural credit societies) is for short-term and medium-term credit for current cultivation and the other is for long-term credit (cooperative land development banks) for debt redumption as well as for agricultural investment. Recently a fifteen-member committee under the chairmanship of Dr R.K. Hazari, deputy governor of Reserve Bank and chairman of Agricultural Refinance and Development Corporation has reported on the feasibility of integrating these two wings of cooperative credit.

The committee in its report has expressed the opinion that the dichotomy in the cooperative credit structure is wasteful since all the financial requirements of the agriculturist should be made available at one contact point and he should be spared the necessity of visiting different institutions for his financial needs. Various programmes of investment demand a package deal in which short-term and long-term credit must go hand in hand, but the present system does not allow a farmer to receive the benefit of both kinds of credit, thereby resulting in low investment and low returns.

While the unification of the functions of the two wings of cooperatives will improve the prospects of agriculturists, it will also strengthen the cooperatives because they will attain viability, thereby improving the capacity to provide integrated credit, services and guidance. An important argument in favour of integration put forward by the committee is that sufficient staff could not be employed by the cooperatives to maintain proper contact with the borrowers to guide them in the implementation of the projects financed by the cooperatives. Moreover, the cooperatives offering credit did not have enough technical staff to exercise the required supervision of investment. For instance, the Central Banking Enquiry Committee had also pointed out that land mortgage banks could not have that amount of work year in and year out which will justify engaging superior staff. However, the unification of the two wings of credit cooperatives will eliminate this weakness and lead to economy and efficiency.

changed situation

The proposed integration would assist the credit institutions in another way too. Long-term resources for land development banks were raised through the issue of debentures guaranteed by the government. After the establishment of the Agricultural Refinance and Development Corporation (ARDC) the situation has changed because the cooperative credit societies also derive the funds from the ARDC by way of subscription to special development debentures. Moreover, the Reserve Bank of India could provide loans to the cooperative units at the apex level on the same basis as was provided to the commercial banks, thereby eliminating the time consuming procedure for the issue of debentures.

A majority of the borrowers who were interviewed by a sub-committee also expressed the view that it was advantageous if the loans were advanced by one and the same agency. This introduced the human factor in the procedures of giving loans, which was so essential for the follow-up action. This also revealed the limitation of remote control and the consensus was that the primary cooperative society would be in an improved position to assist the credit need of cultivators, ascertain the capacity of individual borrowers to introduce modern techniques and provide guidance in matters such as the cropping pattern and of the improved agricultural practices.

It has been observed by the committee that mutual credit support between the existing short term and long term cooperative credit institutions has not been sufficient. For instance, the proportion of borrowing members of primary societies who had availed themselves of credit from the land development banks for long term investment was less than one per cent in Kerala. In other states, it varied with three per cent in Maharashtra, four per cent in Uttar Pradesh, seven per cent in Orissa and ten per cent in Haryana. Only in Bhavnagar district of Gujarat it was as high as 32 per cent. Although inadequate support from long-term credit institutions to the short-term borrowers did not by itself show a serious lacuna, apparently it was essential to ensure that the investment credit was available along with production credit so that advanced agricultural techniques could be adopted to improve the repaying capacity of the borrowers. Without such support, full benefit of investment could not be derived by the fermers.

It has been established by the committee that restrictive features of mortgage security were also an important factor for inadequate loans given to the agriculturists. Consequently, simplified procedures for the creation of security have been suggested. The committee has proposed that a mere declaration by the borrowers would have all the characteristics of a valid mortgage without its cumbersome formalities. This indeed is a timely step in the right direction and is likely to save considerable time in the distribution of agricultural credit.

Export scene in eastern India

THE SPEECH of Mr Sanjoy Sen, chairman of the Export and Import Advisory Committee (Eastern Zone), set up by the government of India, at its third meeting held in Calcutta on October 27, deserves wider publicity and closer attention from the union Commerce ministry as well as the other economic ministries. India's export performance in recent months has been appreciated both in India and abroad and therefore it may seem rather odd that Mr Sen should describe the export scene in the eastern region as "gloomy". But the fact remains that export industries in this part of the country continue to face many difficulties and much uncertainty.

The jute industry, for instance, suffers from — to quote Mr Sen — "prolonged uneconomic working, staggering fall in export, and a critical liquidity position". He also said that the decline in the export of jute manufactures had produced "a chain of adverse effects on the economy of this region". This aspect however does not seem to have received adequate attention from the government. Mr Sen's remarks therefore deserve to be quoted: "It has accounted for a fall in traffic passing through Calcutta port leading to a general decline in shipping opportunities and consequently also adversely affecting shipments of other commodities, jute products hitherto being the traditional base cargo which provided the most economic cargo mix to the shipping lines. The shipping lines have been slow to react to the new situation and in many cases, the decline in the volume of this high freighted cargo has resulted in increased freight rates as a whole. Mercifully exports of tea have shown a welcome growth both in terms of quantity and value. However, one must recognise that there can but be only a limited growth in the export of tea. The share of engineering exports from eastern region as compared to our total exports of engineering goods continues to be on the decline."

Mr Sen said that the differential shipping freight rates from Bombay and Calcutta to the west Asian ports had affected the competitiveness of engineering exports from the eastern region. In his view, such disparity in freight rates between two regions of the same country was "unhealthy and not conducive to a balanced development of all the regions". He however conceded that because of the long voyage time, the cost of operating a ship from Calcutta to west Asia was more than that from Bombay. He therefore said that the solution would not lie in rationalisation of freight structure as that would render shipping services from Calcutta even more uneconomic. He observed: "Here is a problem for which there is apparently no commercial solution. But then since we cannot allow the freight differential to continue to hamper exports from the eastern region it is felt that the government of India should step in and there should be some sort of a freight equalisation scheme. If we can have a freight equalisation scheme for internal movement of commodities like steel, there is no reason why there cannot be a similar fund which can take care of the freight differential between the east coast of India and the west coast of India".

the implications

But what are the implications of the freight equalisation scheme? How much will it cost the government of India to implement it? To what extent will it enable the engineering industries in the eastern region to promote exports to west Asia? Are there not other ways to strengthen the competitive capacity of these industries? The Export and Import Advisory Committee of the Eastern Region should examine these and other relevant issues so that it will be easier for New Delhi to examine the feasibility of this suggestion.

Mr Sen referred to the export prospects for leather and said that they remained bright despite the fact that the international hide markets had been falling in recent weeks. Exports in the first five months of 1976-77 had been of the order of Rs 135 crores and he said that there was every possibility of reaching the target of Rs 300 crores. He made the following suggestions to augment these exports: All leather auxiliaries especially finished materials like nitro-cellulose lacquar and resin binders should be classified as raw material for use in the leather industry so that they would qualify for 63 per cent import duty as compared to over 200 per cent payable on certain items at present. Air-freight subsidy paid from 1971 onwards should not be recalled because exporters had formulated their price structure based on the subsidy each year from 1971 onwards in good faith. Besides, all exporters had closed their books of accounts annually and the "very spirit of providing a freight subsidy to bring India closer to the rest of the world will be defeated especially since what constitutes an FOB contract in this particular instance is debatable". The government of India should sympathetically consider these suggestions since heavy investment is involved in the leather industry and some stability in export policies is highly desirable.

Problems of Calcutta port came up for discussion at the meeting and the need for modernisation was strongly emphasised. Now that the government of India has an abundance of foreign exchange reserves, it should be possible to carry out expeditiously the schemes of modernisation of the Calcutta port by importing the necessary equipment. But it remains to be seen to what extent the port authorities will be able to get adequate cooperation from labour in implementing this programme. The Calcutta port has far more workers than is actually required and attempts to rationalise the labour force have met with little success. In any case, the government cannot afford to go slow with the modernisation of this port which plays a vital role in the country's export and import trade.

It is encouraging to be told that the office of the Joint Chief Controller of Imports and Exports in Calcutta is now working with greater efficiency. During the period April to March 1975, the office disposed of 9118 applications, including those for cash assistance, out of 10,782 that were received. In the same period, the office received 76,959 export applications and all were disposed of. Besides, cash assistance amounting to Rs 15.50 crores was disbursed. In the current financial year, up to September 30 1976, the office received 6168 import applications and 11,136 export applications, of which 4203 and 11,136 were disposed of, respectively, and cash assistance amounting to Rs 13.65 crores was disbursed. It is hoped that in the other regions as well as at the centre also, the disposal of import and export applications and cash assistance has been equally prompt as in Calcutta.

Planning for power

THE COMMISSIONING of the third unit of 115 MW at the Lower Sileru Hydel Project in Andhra Pradesh and the prospect of putting into operation the third unit of 130 MW in the Idduki Hydel Project in Kerala mark an important stage in power development in the southern region. The difficulties arising out of the slowing down in progress of implementation of new projects in Tamilnadu and Karnataka in the past few years, which have resulted in a cut of 30 per cent in power consumption in Tamilnadu for HT consumers other than continuous process industries which have to restrict their requirements by 25 per cent, and a cut off of 40 per cent in Karnataka, may be overcome to a certain extent by the additional capacity created in Andhra Pradesh and Kerala. In the former region, particularly, there has been a bunching of completion of new projects and it has been proudly claimed by the state's chief minister, Mr J. Vengal Rao, that the substantial additions to new capacity will be helpful in meeting not only the growing needs but also the deficits of Karnataka and Tamilnadu to a certain extent.

The predominance of thermal capacity in Andhra Pradesh and the relatively assured rainfall in the catchment areas in the hydel reservoirs have enabled the state electricity board to increase daily consumption to 16.5 million units. With the energisation of pumpsets in many areas where underground water resources are available and the commissioning of power intensive projects, it may even happen that the daily consumption in Andhra Pradesh will reach the level of Tamilnadu in the next five years.

These developments clearly emphasise the importance of perspective planning for the creation of new generating capacity and corresponding transmission facilities. In the earlier years economic progress in Andhra Pradesh was seriously handicapped by the shortage of power. In fact, there was a false sense of complacency when the Machkund Project, a joint undertaking with Orissa, came into being, and large blocks of power could be generated. The Sileru river had immense potentialities. But improper understanding of the role of power projects in planning and the failure to conclude arrangements for exploiting hydel potential of this river have resulted in needless increase in capital expenditure on new schemes.

It has taken over 17 years to create hydel capacity of 750 MW in four hydel projects, Machkund, Balimela, Upper Sileru and Lower Sileru, on the same river. The fourth unit of Lower Sileru project may go on stream in the next six months with equipment provided by Bharat Heavy Electricals. The first two units were supplied under Russian aid. There are also proposals for installing additionally two units of 60 MW in Upper Sileru and two units of 115 MW in Lower Sileru for increasing generation during peak hours.

export possibility

The expansion of capacity of Kothagudam Thermal Station by 220 MW by March next year and the commissioning of a 110 MW unit in the Nagarjunasagar Project some time next year may enable Andhra Pradesh to export even 1500 million units in 1977 even after meeting its own increasing needs. Kerala is already exporting to Tamilnadu three million units daily of which one million units are made available to Karnataka. After the third unit is in operation in Idduki, it may be possible to increase export especially as it is stated that there is adequate storage in the main reservoirs till the middle of next year. If all goes well Kerala may be in a position to supply to the neighbouring states even 1500 million units in 1977 or 700 million units more than in 1976.

The current deficit of Tamilnadu and Karnataka is 2000 million units due to inadequate generating capacity and the failure of the monsoon in both the regions resulting in a sharp decline in hydel reserves as compared to this time last year. The loss of hydel power availability due to this cause is estimated at 1500 million units. With satisfactory rainfall in all four regions the cuts in Tamilnadu and Karnataka may not have to be so severe as they are now. But there is an unsatisfied demand for agricultural and industrial purposes particularly in Karnataka and it should also be expected that there will be a shortfall in rainfall in some region or the other.

prudent course

It will, therefore, be prudent to proceed on the assumption that the present situation is "normal" and hydel power availability from the existing sources cannot be augmented to any great extent, though there will be "bonuses" when there is bounteous rainfall.

It has therefore become imperative to hasten the tempo of construction of the on-going schemes in Andhra Pradesh, Kerala and Tamilnadu. The Kalinadhi project is already being executed expeditiously and Karnataka should be enabled to undertake the hydel schemes in the other river systems apart from locating a thermal station in Mangalore with a capacity of 400 MW, for balancing purposes. It is also equally important that new thermal capacity should be created in Andhra Pradesh with location of stations at pitheads in Ramagundam and Kothagudam and the opening of the second mine cut at Neyveli. The construction of new thermal stations in Andhra Pradesh is quite easy as coal is already available. The opening of the second mine cut also cannot be delayed as the second super-thermal station at Neyveli may be in operation only at the end of the sixth Plan, three or four years being required for the preparation of the open cast lignite mine.

There cannot be a surfeit of power at any stage as Maharashtra is in the grip of a famine even with the full functioning of the hydel station and the commissioning of new thermal units. The difficulty has arisen on account of unexpected increase in agricultural and industrial loads. The expectation that there may even be problems in regard to the utilisation of electricity as a result of the commissioning of new capacity has not, therefore, materialised and it has become quite clear that even an annual addition of 3000 MW capacity for the country as a whole will not suffice.

Tamilnadu particularly is in an awkward plight as no major projects will take shape in next two years. It has, therefore, become necessary to expedite construction of the Tuticorin thermal project and existing hydel schemes. At the same time the potential of the Cauvery System should be exploited jointly with Karnataka. The master plan for Cauvery prepared by Karnataka government underlines the scope for establishing three hydel stations, two in Karnataka and one at Hogenekal having an aggregate capacity of 700 MW at 60 per cent load factor. As there can also be power stations in the upper regions capable of generating 400 million units annually, the aggregate additional power generation can be 4000 million units yearly, or equal to the hydel power generation in Tamilnadu at present. As these projects can be easily completed in five or seven years by undertaking work on joint basis, no time should be lost in completing the preliminary work and getting the financial allocations.

proper balance

Any delay in executing hydel schemes will involve waste of power and the mistakes of earlier years should be avoided. It is also imperative that there should be a proper balance between thermal and hydel capacity. With no shortage of generating equipment and technical personnel, the opportunity should be utilised for achieving ambitious targets in the next five years. The chief ministers of Andhra Pradesh and Karnataka have also indicated the possibility of getting aid from the oil exporting countries for implementing hydel projects. There should, therefore, be effective regional planning and power shortage should not be allowed to impede economic growth in the coming years.

CAPITAL'S CORRIDORS

R. C. Ummat

HSL restructured • Soft loans for modernisation

THE LONG-awaited restructuring of Hindustan Steel Limited (HSL), which has been managing for nearly two decades the three public sector integrated steelworks at Bhilai, Rourkela and Durgapur along with the alloy steels plant at Durgapur, the fertilizer plant at Rourkela and the central coal washeries at Dugda, Bhojudih and Patherdih—though for a few years now as a subsidiary of the Steel Authority of India (SAIL)—has been announced by the minister of Steel and Mines, Mr Chandrajit Yadav. Three new companies, Mr Yadav told Parliament last week, had been formed, namely, Bhilai Ispat Limited, Rourkela Ispat Limited and Durgapur Mishra Ispat Limited, with authorised capitals of Rs 500 crores, Rs 300 crores and Rs 100 crores, respectively, to manage the Bhilai steel plant, the Rourkela steelworks and the Durgapur alloy steels project. Rourkela Ispat will also look after the adjoining fertilizer plant. Durgapur steelworks will be managed by the residual HSL. Its authorised capital at present is Rs 750 crores, but it is likely to be brought down substantially—may be to Rs 300 crores—in course of time.

marketing function

The coal washeries at Dugda, Bhojudih and Patherdih, which supply prime washed coal to the steel plants, would be transferred to Bharat Coking Coal Limited, which has been managing them since April 1, 1975. The internal and international marketing of steel would be henceforth handled by one company-SAIL International Limited—so as to ensure close coordination between the domestic requirements and exports. The liaison office of HSL at London would be transferred to SAIL International. The management training institute (MTI) and the R&D organisation of HSL are to be transferred to SAIL. The new companies would be fully owned as subsidiaries by SAIL, the holding company.

The registered offices of Bhilai Ispat, Rourkela Ispat, Durgapur Mishra Ispat and the residual HSL, Mr Yadav told newsmen after making the statement in Parliament, were to be located in the concerned states. All these companies would have separate boards of directors, but the chief executives of the residual HSL and Durgapur Mishra Ispat were envisaged to be on the boards of both these companies in view of their various common interests.

imparting autonomy

The restructuring of HSL, Mr Yadav hoped, would impart greater autonomy to the individual units and also afford them new opportunities to develop their own styles of functioning and management. As a result, it was expected that not only their production, productivity and profitability would be maximised but also there would come about competitiveness in their operations.

The Steel Authority of India, Mr Yadav said, would continue as the holding company. It would also continue to perform the functions of coordination of the working of the various subsidiary units as well as the planning of the future growth of the steel industry in the country.

As all the former constituents of HSL, excepting the Durgapur steelworks, have been showing profit in the recent past, Bhilai Ispat, Rourkela Ispat and Durgapur Mishra Ispat do not have any accumulated losses. Last year, of the total Rs 44.46 crores profit of HSL, the Bhilai steelworks accounted for Rs 28.22 crores, the Rourkela steelworks for Rs 28.33 crores, the Durgapur alloy steels project for Rs 3.98 crores, the Rourkela fertiliser plant for Rs 2.41 crores and the central coal washeries—Dugda, Bhojudih and Patherdih—for Rs 2.41 crores. The Durgapur steelworks incurred a loss of Rs 20.06 crores.

The residual HSL, namely, Durgapur steelworks, would be the only unit among the former HSL projects which would be starting with a handicap of sizeable accumulated loss of approximately Rs 150 crores. Though no decision has been taken as yet to scale down this loss through some means, such a possibility is not ruled out to enable the residual HSL to come up fast.

Durgapur's position

To some extent, the profitability of the Durgapur steelworks, of course is expected to go up as a result of the discussions currently being held by the ministry of Steel and SAIL, on the one hand, and the Railway Board, on the other, for stepping up the prices of the products supplied by this steelworks to the railways, particularly wheels and axles. Though no decision has been taken as yet on the increases to be effected in the prices of these supplies to the railways, the Railway Board is stated to have indicated that it would step up substantially its orders for wheels and axles and also of the other equipment it purchases from Durgapur. In the case of wheels and axles, the SAIL has assured the railways that Durgapur would be able to supply 12,000 sets per annum, as against just about 4,000 to which level production had dropped a couple of years ago. The pick-up in production of not only wheels and axles but also of other railway equipment such as fish plates can be expected to improve the economy of Durgapur steelworks to no small extent.

Mr Yadav in his talk with newsmen also disclosed that the government had decided to put up two pelletisation plants—one at Donamalai in Karnataka and the other at Bailadilla in Madhya Pradesh, each with a capacity to produce two million tonnes of pellets. Each plant would be costing Rs 70 crores, with a foreign exchange component of Rs 30 crores. The feasibility report for the Donamalai plant had already been received by the government. A similar report for the Bailadilla unit had been commissioned. These plants, Mr Yadav said, would not only help in raising significantly the realisations from exports of iron ore but also assist in the utilisation of the iron ore fines which at Bailadilla alone had accumulated to nearly seven million tonnes.

significant development

Another very significant development on the steel front that had been decided upon, Mr Yadev revealed, was the allowing of the setting up of sponge iron plants to an initial capacity of 100,000 tonnes to be raised ultimately to 300,000 tonnes, even by private entrepreneurs. It, however, remains to be seen whether the mini steel plants, which manufacture steel ingots from scrap, as well as the re-rollers would be allowed to go into the manufacture of sponge iron.

As already indicated in this column in the recent weeks, the production of steel in the country has been showing a very encouraging trend this year. The latest data available suggest that the production of ingots at the integrated steel plants at Bhilai, Durgapur, Rourkela, Bokaro, Jamshedpur and Burnpur during the seven months to October aggregated to 4.679 million tonnes, as against 3.829 million tonnes during this period last year and this year's proportionate target of 4.592 million tonnes. The production of saleable steel during these seven months amounted to 3.892 million tonnes, as against 3.128 million tonnes during the corresponding period last year and the proportionate target of 3.593 million tonnes. Both in terms of ingots and saleable steel, the output during the April-Ocober period this year, thus, has been substantially more than that during this period last year. The same has been the case in regard to this year's target. The utilisation of saleable steel-making capacity at all the plants, except Bokaro where some units are still passing through the period of gestation, consequently, has gone up to 89 per cent from 78 per cent during this period last year. On current indications, the year is likely to end with a utilisation of capacity of the order of about 92 per cent. It is interesting to note that the ministry of Steel and Mines had aspired last year to raise the utilisation of capacity in a couple of years to just 90 per cent. The utilisation of capacity has gone up at all the steelworks. Even Durgapur and the Burnpur works have shown very encouraging trends. The capacity utilisation at Durgapur has increased from 53 per cent during April-October 1975, to 70 per cent during this period this year. At Burnpur, it has gone up from 60 to 63 per cent.

Although there has been a significant increase in the domestic sales of steel, yet exports of iron and steel too have gone up very markedly. They aggregated to 1,494,702 tonnes during the seven months to October, valued at Rs 205.21 crores. During the whole of last year, exports of iron and steel amounted to about Rs 100 crores. The shipments during the seven months to October included 601,284 tonnes of pig iron, 859,727 tonnes of steel products and 33,699 tonnes of ferro-alloys. The effective bookings up to October 31 had been of the order of 2,374,185 tonnes—780,885 tonnes of pig iron, 1,544,824 tonnes of steel products and 49,476 tonnes of ferro-alloys—valued at Rs 361.42 crores. An overwhelming proportion of these export orders was covered by letters of credit.

import of steel

The imports of steel too have gone down substantially this year. The latest official assessment reveals that we will be importing steel this year to the value of just Rs 90/100 crores, as against about Rs 250 crores last year. The imports during the seven months to October had been of the order of Rs 60 crores. A coordination committee is being set up to plan imports in the light of the trends in domestic production. The committee will consist of the representatives of SAIL, MMTC and the ministry of Commerce.

The increase in the production of steel, despite the heartening trends in domestic consumption as well as exports, however, have still left the SAIL burdened with a stock of 1.3 million tonnes. Mr Yadav has indicated that a committee would be appointed soon to go into the question of sales, particularly in the rural areas. He has also expressed the view that time has come to build up a buffer stock of one million tonnes of steel, which can be utilised profitably in the event of a sudden spurt in demand or some decline in production. Discussions in this regard are proposed to be held soon with the ministry of Finance so that adequate funds can be made available for building up the buffer stock and the steel plants or SAIL are not required to lock up sizeable funds in maintaining these stocks.

* *

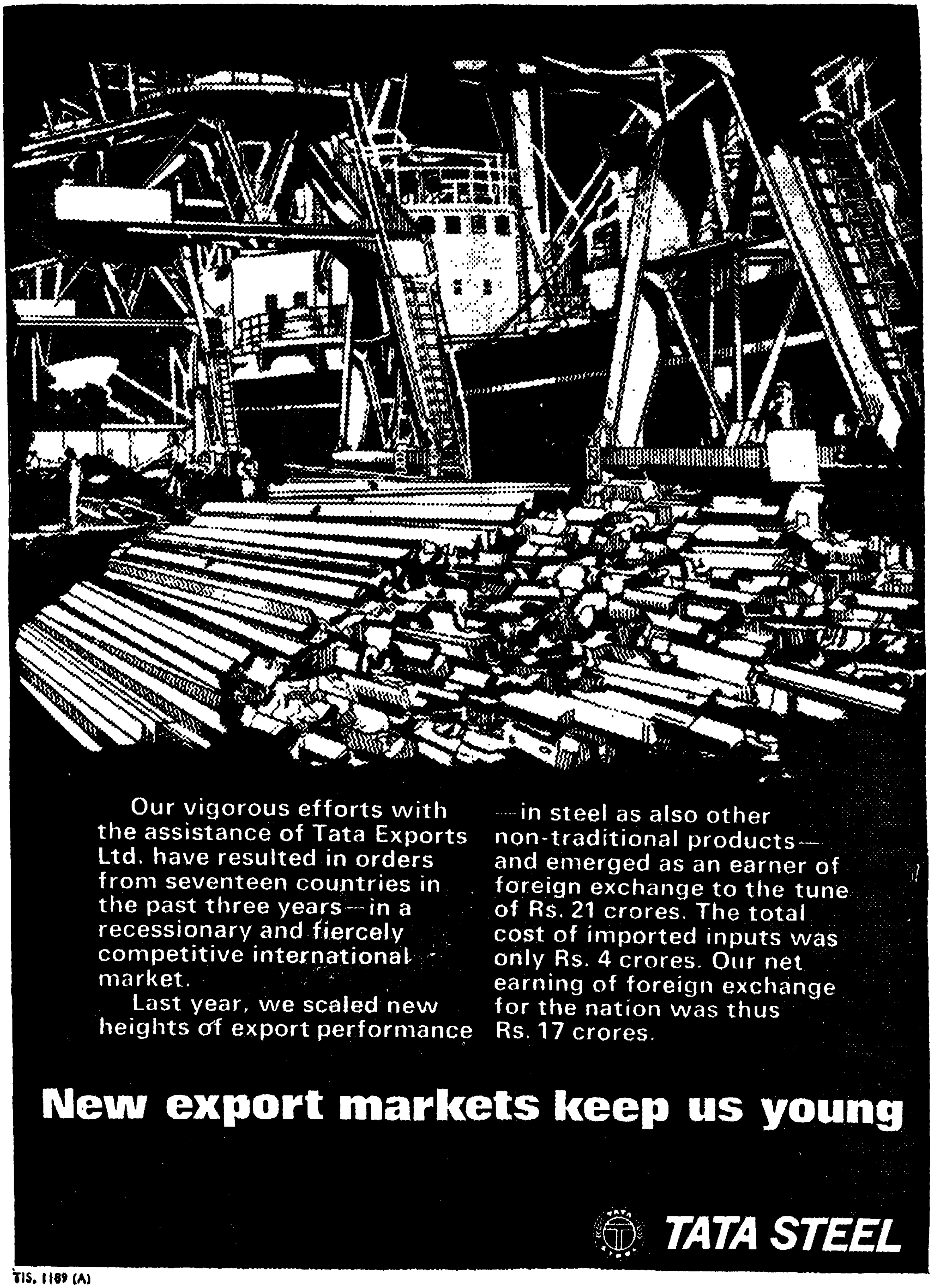
The government has finalised the scheme for opening a soft window for concessional financing of five sectors of industry for modernisation of plants.

The scheme will cover jute, textiles, engineering, cement and sugar industries. These industries are being given priority not only because a number of units in them require to be modernised but also because of the importance of these industries which are agro-based, produce mass consumption goods and have high export and employment potential.

The soft window will be operated by the Industrial Development Bank of India which may need as much as about Rs 200 crores annually to finance the scheme. The main features of the scheme are that concessional finance will be available at 7½ per cent interest and the period of repayment of loans would be 12 to 15 years, including in deserving cases a moratorium of three years. Concessional finance will be available only in the case of units unable to service loans at the present rates of interest and in whose case the financial non-viability relates to mechanical obsolesence. All units in this group showing promise of early viability will be eligible for financial assistance at concessional terms.

The prime objective of the scheme is to enable production units in these selected industries to overcome the backlog in replacement, renovation and modernisation of plants and equipment so as to achieve higher and more economic levels of production.

Besides direct assistance under the soft loans scheme, it has been decided that the effective rate of interest under the bill rediscounting scheme will be no more than 15 per cent and for the jute industry (in view of its special problems) it would be 11 per cent.



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TATA STEEL

TIS. 1189 (A)

Options in tubewell irrigation

B. D. Dhawan

The apparent conflict between social justice and agricultural growth, posed by the question of choice between public and private tubewells, disappears if a policy of promoting public tubewell irrigation is pursued for the states of Bihar, West Bengal and east Uttar Pradesh in the east Gangetic plains. Likewise, a policy of private tubewell irrigation achieves a similar goal for the north-west Indian region, except that serious problems in groundwater management may crop up in the wake of intensive cropping in this region.

Earlier two articles by the author on tubewell irrigation appeared in issues of *Eastern Economist* dated September 10, 1976 and October 15, 1976.

The distributive aspect of economic growth is receiving the increasing attention of planners. Lately, some donors of development aid, especially the World Bank, have shown intense interest in the question of sharing gains of growth. It is now being increasingly realised that the institution of participatory democracy has little chance of survival if social justice to the poor is neglected while pushing simply the rate of growth of a developing economy.

The question that has now arisen is: is there any basic conflict between growth and social justice? Some planners and politicians at the helms of affairs feel that there need be no such conflict. They believe that strategies and tactics can be so chosen as to harmonize the growth objective of social justice. Do such strategies exist? Do the decision makers have the will to adopt tactics which re-distribute the gains of growth through suitable fiscal and other measures? Many feel unoptimistic about these questions, with the result that they subscribe to the view of an inherent trade off between growth and justice. That is, more of one, say social justice is attainable at the expense of the other viz economic growth. Notwithstanding the fact that such persons can draw some sustenance from historical experience and some simplistic theory of growth based on saving and investment. their position is more in the nature of a belief rather than a well-established thesis.

This imperfect state of our knowledge about the nature of relationship between growth and social justic is mainly due to the fact that, despite the pleothra of literature on theories and experiences of development, our basic understanding of what brings about development is deficient. Here, there is urgent need for an interdisciplinary theory of development that would integrate economic forces of development (e.g, investment and technology) with psychic and social forces of development. After all, the economist's paradigm of development is radically different from that of a statesman's or a scientist of Vikram Sarabhai's calibre, who try to fire the minds and imagination of the people and thus enthuse sense of confidence in the future among the people.

POINT OF VIEW

This essay is a collection of some ideas on the nature of relationship between growth and equity in the particular context of promoting tubewell irrigation in India. Tubewell irrigation is the most rapidly moving segment of Indian irrigation system. Here, one comes face to face with the dilemma of growth and equity. Since contribution of a private tubewell to agricultural output is more than that of a government-owned or public tubewell, fostering tubewell irrigation within private enterprise appears to accelerate the much-needed farm output, whereas confining it to public enterprise would promote the much-needed equity. For, benefits from private tubewells would be restricted to relatively bigger farmers who alone would find it economic to undertake an indivisible or lumpy investment, while all public sources of irrigation provide water to all farmers, big and small. In point of fact, the state, if it so desires, can distribute water from its own sources more equitably than is being done presently; instead of allocating water from a public source on *pro rata* basis of farm holding it can encourage greater allocation in favour of smaller farmers. Such an egalitarian distribution policy, if implemented effectively, would essentially be tantamount to land redistribution in areas where water is scarce in relation to land resource e.g. the western Gangetic plains and the Indus plains. In areas where water is relatively abundant in relation to land factor, the suggested policy of redistribution of water from public works can still yield handsome results in the initial stage of development.

differential contribution

Let us, at this stage, size up the differential contribution of public and private tubewells. Since more recent statistics are lacking, we would have to use statistics of the late sixties. Using benefit-cost (BC) approach, T.V. Moorti and John W. Mellor have found a BC ratio of 4.4 for private tubewells and 1.8 for public tubewells. Likewise, S.M. Patel and K.M. Patel report a BC ratio of 4.1 for private tubewells and 1.4 for public tubewells. This rather large differential between private and public tubewells is valid for the western Gangetic plains region because it is derived from survey data for two districts of western UP, namely, Meerut and Aligarh.

Though this author has serious reservations about the above differential in BC ratios between private and public tubewells, there is no denying that a unit of water from a private tubewell has a greater potential to add to farm output than the same quantum of water from a public tubewell. For, the main source of this differential emanates from the fact that farmers are able to achieve timeliness of irrigation from their own source of water supply, whereas the same degree of timeliness can never be attained from a public source of irrigation. Timeliness being the essence of farm activity based on HYV seeds, *ex post* BC ratio for farms with private tubewells is bound to be higher than that of farms served by public tubewells. This comparative picture can be altered to the extent the state enables farmers with public irrigation to use more of associated inputs of irrigation (e.g. fertilizers) than the farmers with their own sources of irrigation. Or, the public source of irrigation turns out to be relatively less costly than private irrigation. Both these conditions are at present tilted against the users of public tubewell water, with the result that the differential in farm contribution becomes much bigger than it need to be.

Given the logic of the Indian situation, there would appear to be a definite tradeoff between agricultural growth and social justice. That is, exclusive promotion of tubewell irrigation under private auspices would contribute to enhanced farm growth but with less social justice among the members of the farm community. Similarly, exclusive reliance on public tubewell irrigation would slow down farm growth but with gain in equity in the farm community. In what follows an attempt has been made to show the transient and regional character of this conflict; in the very long run public tubewell irrigation may produce both greater growth in farm output and more equity in the farm sector, especially in the eastern Gangetic plains.

an assumption

Let us proceed on the assumption that the cost of tubewell irrigation per unit of irrigated land is the same for both public and private tubewells. Deferring the question of validity of this assumption for the time being, I may point out that here a social or macro view of cost of tubewell irrigation is being taken, that is, capital and operational costs are inclusive of private and public costs. Those who have argued that unit cost of irrigation of private tubewells is less than that of public tubewells have not fully reckoned with costs borne by the rest of the society in their assessment of unit cost of private tubewell irrigation.

Let us next visualize two distinct segments of farm area: (1) uneconomic acreage for which individual small owners find it uneconomic to invest in their individual tubewells and (2) economic acreage whose individual owners find it worthwhile to invest in privately-held tubewells. Given the funds earmarked for tubewell irrigation, the policy of private tubewells would add to farm output so long as the economic acreage is not exhausted, whereas a policy of public tubewells would bring increments to farm output both from uneconomic as well as economic acreage. Which of these two additions would be bigger in the long run would be determined both by the comparative BC ratios of the two categories of tubewells and the relative proportion of economic acreage to total acreage in a region.

maximum increment

More precisely, let 'B' be annual incremental benefits from an acre of irrigated land. Let 'A' be the total farm acreage, of which 'a' units are economic for private tubewell investment. Then, the maximum increment to farm output possible through a programme of private tubewells is '$a.B_1$' as compared to '$A.B_2$' from public tube wells only. One can end up at a higher level of farm output through public tubewells if $A.B_2 > a.B_1$ or $\frac{B_2}{B_1} > \frac{a}{A}$

That is, the fractional ratio of benefits from public and private tubewells per unit of land is greater than the proportional fraction of economic acreage in total cultivable acreage. Such a condition is likely to be fulfilled in the eastern Gangetic plains (east UP, Bihar, and Bengal) where the fraction $\frac{a}{A}$ is very small because of a variety of reasons, such as, (1) high population density, (2) high fragmentation of holdings, (3) low agricultural extension service and, above all, (4) very inadequate credit facilities for meeting the high expenditure on associated inputs of irrigation.

In the north-western India—the area of private tubewell explosion—the fraction of economic to total acreage $\left(\text{i.e. } \frac{a}{A}\right)$ is very high. Consequently, development of tubewell irrigation under private aegis only does not pose serious problems of social justice. Here, two points need to be kept in mind. First, those who cannot afford to own tubewells are doomed unless they get water from public sources or their brethren owning tubewells. Failing this, they cannot stay in agriculture. For, they cannot get adequate water with traditional groundwater sources (e.g. persian wheel and rope-and-bucket lifts) because of short-run externalities imposed by tubewell owners in their vicinity. These externalities arise due to temporary depression in water table when tubewells around a farm work at the same time.

Second, north-west India is a semiarid area, whose rainfall is inadequate to support intensive cropping. Given this fundamentat scarcity of water for multiple cropping and the high value of water for farm incomes, tubewell owners in this region are likely to overextract groundwater by their joint action. Consequently, water table in this region is in danger of being lowered continuously as has already happened in some pockets in this region, and also in other semi-arid regions in India (Mehsana in Gujarat and South Arcot in Tamil Nadu) and abroad (southwestern United States and Mexico).

equilibrium level

An economist may not be alarmed by this prospect of a lowered water table; for him an equilibrium level of water table would be soon reached, whereby marginal cost of pumping water is just equal to marginal value of crop raised from that unit of water. However, the movement towards such a 'golden equilibrium' may prove very painful. Before long, saline and brackish waters, which lie in proximity to sweet water of the semi-arid tracts, may move in the space vacated by the sweet water. Pumpage from such mixed-up waters may soon bring us face to face with the ruinous problem of salinity of soils, and finally, cessation of agriculture itself.

Attitude towards marriage age

B. L. Tripathi and
K. R. Pichholiya

This article attempts to measure the attitude of heads of households in Udaipur city towards the recent enactment stipulating a rise in the marriage age. Out of a sample of 857 respondents, as many as 621 were in favour of this step. The opposition to it came mostly from such heads of households as were too religious and who felt that it was binding upon them to get their children married as soon as possible. However, the survey showed that an environment conducive to the enactment of this law existed much before the government moved in.

THE SUCCESS of any policy or programme, particularly that involving socio-economic considerations depends much on the people's participation and their positive attitude towards it. National population policy deserves special mention in this context. The government's recent legislation regarding enhancement of the minimum age of marriage from 15 years to 18 years for girls and from 18 years to 21 years for boys is a follow-up step towards putting into operation the policy of bringing population explosion under control.

Tnis article examines the attitude of the urban population along with socio-cultural and economic variables with regard to raising the age at marriage. The data was collected in the context of measuring the trends of urbanisation. A structured schedule was canvassed on a total of 1,680 heads of households (40 each from all the 42 city wards) selected at random. This article is based on a sub-sample of 857 heads of the households from the total sample. The rationale of having a sub-sample was the age of the respondents. All these 857 persons were above 40 years of age. Most of them had marriageable sons and daughters. In fact a few of them already got their children married. As such it was thought proper to know the attitude of this group of persons. The locale of the study was Udaipur city in Rajasthan.

main characteristics

Table I gives the socio-economic characteristics of the heads of the households. Over 50 per cent of the total sample was above the age of 50 years; 37.6 per cent were illiterate; and 60.4 per cent had income below Rs 250 per month per household. Looking to their own age at marriage we found that 22.4 per cent married before reaching 15 years but significantly 70.2 per cent married between the ages of 16 years and 20 years.

Our analysis of the data reveals that 72.4 per cent of the total sample had positive attitude. They (621 in number) were in favour of raising the age at marriage. There were only 193 or 22.4 per cent heads of the households against this proposition. However, 43 respondents were indifferent.

catalytic factor

Table II shows the attitude of the heads of the households along socio-economic variables. The age of respondents influenced the attitude of the individual. The respondents in the youger age group, rather than older group, favoured raising the age at marriage considerably. Education was found to be the most effective and catalystic factor in moulding the attitude of the respondent. Though about 60 per cent of the respondents in each educational group favoured raising the marriage age, the proportion of the favourable responses increased with increase in levels of education.

That education motivates a person towards change and innovation was found true in this context also. A large number of persons from clerical and artisan category as against people engaged in trade and business, unskilled workers and professionals were in favour of raising the age at marriage. The income factor was found associated with favourable attitude. Likewise respondents who married at a later age wanted marriage age to be raised by legislation. (Table II).

A host of reasons were advanced in favour of raising the age at marriage. Table III shows that the respondents mentioned more than one reason in support of their answer. About 44 per cent of the 621 respondents indicated that it will foster better parenthood. Their children would,

TABLE I

Socio-economic Characteristics of the Heads of the Households

Socio-economic characteristics	Number	Percentage
1. **Age**		
41-45 yrs	241	28.12
46-50 yrs	184	21.47
51-55 yrs	238	27.77
56 & above	194	22.64
Total	857	100.0
2. **Age at Marriage**		
upto 15 yrs	190	22.17
16-20 yrs	602	70.25
21-25 yrs	62	7.23
25 & above	3	0.35
Total	857	100.0
3. **Education**		
Illiterate	322	37.57
Upto Primary	291	33.96
Upto middle school	106	12.37
Upto matriculation	95	1.08
Post matriculation	43	5.02
Total	857	100.0
4. **Occupation**		
Professional	131	15.29
Trade & business	135	15.75
Clerical	204	23.80
Artisan	136	15.87
Unskilled workers	89	10.39
Others	162	18.90
Total	857	100.0
5. **Income**		
Upto Rs 100	127	14.82
Rs 101-250	391	45.63
Rs 251-550	253	29.52
Rs 551-1000	54	6.30
Rs 1000 & above	6	0.70
No response	26	3.03
Total	857	100.0

by then be mature, and consequently in a position to better manage their affairs. A significant number (48 per cent) of heads of households mentioned that by then children would be self-supporting. There were about 39 per cent respondents who favoured this idea on grounds of health, particularly mother and the child. According to 216 respondents, an enhancement in the marriage age leads to lower fertility rate and would help in population control. Strikingly only about six per cent heads of the households mentioned so because of marriage act forbidding child marriage. Economic consideration was not found to be an important factor in this regard.

On the other hand about 84 per cent of those who were against raising the marriage age, opposed it on religious grounds. To them religious preaching and sacraments (Vedas etc.) are binding upon them to get their children married as soon as possible. Fortyseven said that early marriage would mean socialisation of the incoming person.

Since the objective of the study was limited to the process of urbanisation in the city, the issue of ideal marriage age was not taken up. However, it was made known by an another sub-sample of 80 heads of the households that there should be a difference in age between the marriage partners. A minimum of three years difference (girls being lower) was suggested. The ideal age for boys according to this sample was 20 years and that of girls 16 years. The rationale was that by this time a boy would get a graduate degree, and would be able to earn his bread; and a girl would pass matriculation examination and would be capable of managing domestic chores.

The findings of the study thus are encouraging. It is clear that an environment conducive to the enactment of a law enhancing the age at marriage existed much before the government moved in. Also that such a legislation should have come much earlier. It is, however, ironical that in practice even Sarda Act (1930) and Hindu Marriage Act (1956) were not faithfully followed. But then this should not act as a deterrent. The economic, social and cultural environment in the country has undergone a significant change during the past two decades in particular and one can safely be optimistic in this regard. However, raising the age at marriage cannot help reduction in fertility; certain other programmes covering education, rural health etc. would have to be intensified simultaneously on a large scale if the desired fall in birth rate is to be achieved.

TABLE II

Attitudes of the Heads of the Households Towards Raising Age at Marriage

Socio-economic characteristics	Attitude			
	Favourable	Not favourable	Indifferent	Total
Age				
41-45	194	38	9	241
45-50	128	47	9	184
51-55	175	56	7	238
56 & above	124	52	18	194
Total	521	193	43	857
Age at Marriage				
Upto 15 yrs	138	39	13	190
16-20	424	149	29	602
21-25	56	5	1	62
25 & above	3	—	—	3
Total	621	193	43	857
Education				
Illiterate	219	92	11	322
Up to primary	210	66	15	291
Up to middle school	81	12	13	106
Up to maticulation	78	15	2	95
Post matriculation	34	7	2	43
Total	621	193	43	857
Occupation				
Professional	85	37	9	131
Trade & business	78	49	8	135
Clerical	172	28	4	204
Artisan	101	31	4	137
Unskilled workers	59	19	11	89
Others	126	29	6	162
Total	621	193	43	857
Income				
Up to 100 Rs	92	31	4	127
101-250	297	87	7	391
251-550	182	66	5	253
551-1000	44	9	1	59
1000 & above	6	—	—	6
No response	—	—	26	26
Total	621	193	43	857

TABLE III

Reasons in Favour of/Against Raising Age at Marriage

Reasons	Number	Percentages
Favour: (N=621)		
Health consideration	241	38.81
Economic consideration	132	21.3
Check on population	216	34.7
Better parenthood	273	43.9
Self supporting	296	47.6
Government legislation	37	5.9
Against: (N=193)		
Religious consideration	162	83.9
Socialisation	47	24.3
Others	33	17.1

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WINDOW ON THE WORLD

The precarious pound

E. B. Brook, London

Discussing the plight of the British pound, Mr Brook has pointed out that Britain ceased to be a world reserve banker long ago. Also, the IMF loan of about $3.9 billion which Britain is currently seeking will not be found adequate to bail it out of its troubles. The irony was that even if Britain resigned its role of a reserve currency banker, Germany had given no indication of taking on this responsibility.

THE ECONOMIC plight of Britain remains the foremost point of interest and concern in western Europe and far beyond. Even the safety of the west European seas from east Europe's mass fishing takes second place. The 'British disease' is seen as an indication of some rot wider within west Europe, as the beginning—if not a later development—of a collapse within the Common Market and within non-communist Europe as a whole. The point has passed when its continental neighbours wavered between amusement and angry scorn at Britain's stiff-necked refusal to acknowledge that it had long ceased to be a world reserve banker, that it accepted as a matter of course that other nations and international funds would regularly lend it money and, more recently, that the other members of the Common Market would cheerfully spend of their money nearly £2 million a day to support the Market's 'green pound' and thus keep shopping for food in Britain cheeper than on the continent. The plain fact is that Britain is and has for some time been a borrowing client of continental west Europe, and the latter is growing extremely tired of this situation.

Within Britain itself—where complaints are widespread of the ease with which continental Europeans, and others, can come to the country to shop cheaply because of appalling pound exchange rate, to live and share in the monetary benefits of the generous special system—the fact of the continent's generosity through the Common Market in subsidising farm prices to keep shopping cheap in Britain is either overlooked or taken as a matter of course. Nor is this only a middle class attitude. The most demanding are the majority white collar unions within the trade union movement. The days are passed when dockers, engineers or minors —with the excuse of heavy or dangerous labour to justify them—were in the forefront of the union movement. This leadership has passed to the public service unions, whose members consider themselves to be middle—not working—class and who have the most to lose through a squeeze on social spending which makes British domestic life so pleasant. It is the British middle class, whether of the 'capitalist' or 'white collar worker' variety, which expected the former empire and now the rest of the world to ensure it a comfortable life and which squeals most loudly when circumstances become unavoidably less easy. Members of the big trade unions, fortunately for the British government, do not share this view and do not agitate to end Britain's small contribution through its militory unit on the Rhine to what is regaaded as European safety.

The latest demand is that Britain should end its formerly proud role as a world banker, ignoring the fact that sterling cannot be withdrawn as a reserve currency if others are not willing to take on the responsibility and burden. It is a burden to Britain now only because that pound is so thoroughly distrusted. The unions' demands for import controls is a dangerous double-edged weapon for a country which relies so heavily on imports and further control of industrial investment would rouse foreign distrust as well as drive individual initiative in Britain finally out of existence. Only a revival of individual industrial investment activity in Britain can help British industries sharpen their bids, even in a failing currency, for a bigger share of world markets.

fund loan

The current week will see the IMF investigotars in Britain to find facts to place before the Fund—in effect before the USA, Japan and West Germany—in order to enable them to make up their minds finally about a $3.9 billion loan to Britain, the last it will be entitled to draw from the Fund. There has been much angry controversy whether the Fund will not insist on as low rate for the £ as $1.50. The US government has been annoyed because no one will believe that this is actually the case. Now that the presidential election is over and for some time afterwards, the US administration is very anxious that no boats should be roughly rocked.

The USA is one among several areas where it is realized that an IMF loan by itself will not be enough to help Britain. It realizes also that the West German Chancellor speaks in a much more friendly tone about helping Britain than does the German Federal Bank, and that the Federal Bank has the power to veto not only any bilateral loan offers which the Bonn government may have in mind but also any West German participation in

multilateral financial operations. Both the Germans and the French are irritated that Britain has not voluntarily resigned its role as a reserve currency banker since it has for long not possessed the resources for that purpose. The British should have taken this step several years ago. At the same time, West Germany has given no sign of willingness to shoulder the responsibility which it says Britain should give up. It is unfortunate for Britain that its worst financial crisis should come at a time when there is no one in Washington able to commit the US government and when a basically conservative West German Federal Bank is unwilling to go all the way with a politically weakened socialist government in Bonn.

The tragic weakness of the £ is no joy to either the French franc of the Italian lira, both of which feel themselves at risk by the disturbance caused to international exchange rates by the near disappearnnce of the British currency as a worthwhile unit. Many also feel that the German mark could be revalued further and many **even in West Germany would like to see the** west European exchange device known as the 'snake', which limits movements of exchange values of its member currencies, abolished and currencies once again allowed to rise or fall to their competitive value.

It may be some consolation to the disconcerted British that the Swiss—whose franc they irritably describe as 'gold encrusted and copper bottomed' — are going to have a budget deficit of over £500 millions. This surprising fact, announced by the Swiss government, is due to trade recession slashing the government's tax income. The Swiss Federal Railways, like all other railways, is running at a loss of some £299 millions a year. And the Swiss, usually almost irritatingly correct, cheat their government of more than £300 million a year in taxes. Insignificant compared with Britain's troubles, but almost a ray of sunshine to the more heavily afflicted.

And after so much woe it is pleasant to end with a European success story from **a not altogether expected source — Yugoslavia.** This large Balkan state, half in and half out of communist Europe, has had a good year. An unusually fine summer boosted its large tourist earnings to record figures; it had an almost record wheat crop of nearly six million tonnes, well above the 1971-1975 average and about 1½ million tonnes better than last year. Its import needs in grain this year will not be more than about 200,000 tonnes. In tobacco and cigarette production Yugoslavia is almost zooming ahead. Its biggest cigarette factory at Nish will sell over 11 million cigarettes by the end of this year and will be up to a profitable production of well over 14 million annually by 1980. In cigarettes and fermented tobacco Yugoslavia does a thriving trade with the USSR and Czechoslovakia in east Europe, with the USA, with Austria and in middle east, especially with Egypt. For a country that has devalued its currency some six times since 1960 these facts make a welcome splash of cheer in an unusually worried Europe.

Economic cooperation in south Asia

S. Venu

Regional economic cooperation has been advocated from many platforms for bettering the lot of the poor countries particularly of south Asia but it has made little progress during the past two decades. The author discusses the implications of integrating the economies of the countries of this region and also spells out the changes needed in their taxation structure if the desired objective is to be achieved. The path to regional progress and prosperity is beset with disappointments, says the author but he is in favour of trying alternative ways of cooperation instead of withdrawing into a shell.

AT ALL UNCTAD meets, the less developed countries (LDCs) have pledged themselves to work for increased mutual trade expansion and economic cooperation. There was a ceaseless quest in the '60s for regional economic cooperation among the LDC's emanating from various factors. Our first task is, therefore, to explain briefly the rationale of "developmental regionalism."

The first development decade was a disappointment and the standard of living 'gap' between the haves and the have-notes widened. By 1970 the per capita gross product of the developed countries was $ 2364 against $205 for the LDCs taken as a whole. The poorest 25 of the LDCs had a per capita product of $82. Trade between the haves increased by nearly twice as much as trade between the haves and the havenots in the '60s. Over the same period the exports of the LDCs increased by 90 per cent as compared to 160 per cent for the rich countries. Neither the trade nor the aid policies of the rich nations appear to be capable of assisting economic development of the Third World.

Many LDCs including India have attempted to diversify the range of exports into a wide variety of manufactured products. Many other than India, have small domestic markets which cannot support new industries with economies of scale unless they are assured of export markets. Others like India need to increase exports on balance of payments grounds to provide inputs for their growing activities and pay for their oil import bills. Despite the generalized system of preferences and other gestures towards trade liberalization, the developed countries have shown a definite hostility to the imports of late-stage processed goods into their domain for fear of upsetting domestic 'sensitivity' and business interests. The *effective* rate of tariff for a processed article is far higher than the *nominal* rate and the difference in tariff rates between those on raw materials and finished goods is greater than the value-added in processing.

Intra-area trade among the LDCs is negligible, mainly for historical reasons, but also due to the tied-aid policy of many donors. Table I gives details for 1974 for some nations. This has meant avoidable cost overruns, lack of exploitation of comparative advantage for the group (when coupled with the fact that the developed countries are trading more with each other) and greater strains on the balance of payments. It has also meant more economic dependence. Japan used to buy large quantities of manganese ores from India; it has switched to Australia as a primary source since the latter also receives a substantial inflow of Japanese capital.

Against the above scenario regional economic cooperation is now advocated and practised by groups of LDCs with a number of objectives:

1. Increasing intra-area trade so as to raise production and incomes in the countries of the grouping taking into account the "net balance" of the trade-diversion versus trade creation effect.

2. Reducing trade barriers so as to reduce prices to consumers.

factor endowment

3. Greater specialization based on factor endowments thus avoiding duplication of investments and reducing production costs and pressures on scarce capital resource. Such links can be furthered in various sectors even if they are developed simultaneously in the member nations.

4. Realizing economies of scale through larger plants, reduction of product varieties (horizontal specialization) and manufacturing various parts, components and accessories in separate spatially separated units (vertical specialisation).

5. Stabilising export earnings and reducing the volatility resulting from the buying whims and fancies of the haves or from political upheavals and conflicting ideologies. This applies with particular force to countries with a high ratio of export trade to gross national product such as Malaysia and Sri Lanka.

TABLE I

Intra-trade among some countries: 1974

Region	Exports as per cent of total	Imports as per cent of total
Afghanistan	22	17
Sri Lanka	6	12
India	11	7
Indonesia	16	17
Malaysia	13	7
Pakistan	12	8
Philippines	9	13
Singapore	7	4

Obviously, regionalism has some prerequisites such as common regional investment policies, more mobility of capital, 'similar' monetary and fiscal policies, regional transportation and the like. A certain degree of *supra-nationalism* is indicated whatever be the nature of the regional union.

key question

This brings us to a key question. What is the structure of economic cooperation visualised by us and among which nations? Economic cooperation of the 'integration vintage' could basically be divided into: (a) a free trade union which implies removal of tariff and non-tariff barriers with in a community but member nations preserving their separate barriers for trade *outside* the area: (b) a common area where a *common external tariff* prevails and economic policies are harmonised to a greater extent. Our analysis will lean more towards (b) as talk of an Asian Common Market has been more pronounced than that of a free trade area although there have been proposals for a Pacific Free Trade Area covering Japan, Australia and south-east Asia. Among the developing countries there have been various unions with differing degrees of success—Latin America Free Trade Area (LAFTA), Central American Common Market (CACM), East African Common Market (EACM), the Central African Customs and Economic Union (CACEU) and the like.

This article will analyse the effects of cooperation between a number of developing ESCAP countries excluding the developed members and Iran which have higher per capita GNP than most other members of ESCAP. Broadly, the countries covered in this analysis are: Afghanistan, Malaysia, Pakistan, Singapore, India, Indonesia, Bangla Desh, the Philippines, Burma and Thailand. Mainland China is now an ESCAP member but whether it will play according to 'the rules of the game' remains to be seen.

Salient economic features of the south-east Asian countries are:

1. India, Pakistan, Indonesia and to a lesser extent the Philippines and Bangla Desh are countries with domestic import substituting industrial bases and in India and Pakistan excise taxes occupy a pride of place in the revenue system.

2. Malaysia, Sri Lanka and Thailand are mono-culture export-oriented economies dependent on exports of such raw materials as rubber and tin.

3. Afghanistan has the highest import ratio and practically no domestic industries.

4. Singapore is a low-duty city-state relying on entrepot trade, invisible receipts and direct taxation.

5. The tax: GNP ratio is the highest in Ceylon and Burma followed by India.

6. The foreign trade: GNP ratio is the higher for most countries compared to India, Pakistan and Burma. Burma needs to come out of its 'isolationist' existence if it is to participate fruitfully in the activities of a regional unit.

social welfare

7. Malaysia, Sri Lanka and Singapore each has a higher ratio of social welfare expenditure than the other countries. This has a real income demand generating effect particularly since the infrastructural facilities in the shape of roads and hospitals are superior.

A detailed formulation of policy cannot be attempted within the limited confines of this article. What is attempted is a basic outline of the issues likely to emerge and their probable first or 'second best' solution.

First of all, comparative advantage has to be balanced with location of production units in the context of Viner's trade

TABLE II

Per capita incomes of some countries in US dollars — 1973

Afghanistan	65
Sri Lanka	138
India	73
Indonesia	70
Pakistan (whole)	130
Malaysia	330
Singapore	280
Philippines	263

creation versus trade diversion effect. Viner defined trade creation as a shift from a high cost to a low-cost producer, trade diversion as a move in the opposite direction.

Take the production of automobiles and trucks. India alone is an important producer although its units are of an uneconomic size and prices are high relative to the developed countries. If, however, Stefan Linder's theory is accepted in that the rank of *manufactured* exportables is determined to a great extent by domestic demand and a large home market, regional cooperation would indicate that the production of automobiles should be concentrated in India who will export them to the other nations. This pre-supposes three elements—first, that optimum units will be allowed to be set up in India, second that quality will be improved and third that large orders will ensure a fall in average costs and Indian prices. The 'Viner' effect is reversed. Initially, there will be a trade diversion effect to the biggest producer. Subsequently, the trade creation effect takes place.

ancillary industries

And now on to an allied factor. The production of trucks and automobiles involves a vast chain of ancillary industries producing spare parts and accessories. Such countries as Singapore and Bangla Desh may have a comparative advantage in relation to the ratio of value added to labour costs. Thus, these may partly have to be imported for re-export, to that extent causing a displacement effect to Indian suppliers who will have to export *outside the area*. Thus, trade outside the area would also be promoted.

Indonesia, Pakistan and Bangla Desh are also countries with potentially large domestic markets. Optimally, their production structure would also have to be altered so as to sell crude oil, natural gas and jute to the other countries of the region after meeting their own requirements. In Indonesia's case, this would mean direct sales to consuming countries rather than through the major oil companies, a position that would need careful examination. Thailand and Bangla Desh could form a 'pooled price structure' for raw jute, selling it at different prices within and without the area; would this be permissible under the rules of GATT? If not, price or income subsidies from a common finance pool could be the answer. The basic refrain is that the heavy industries will be concentrated in the high population (HP) nations exporting surpluses to the low population (LP) countries such as Ceylon and the Philippines.

What will the latter do? Their concentration will have to be on assembly line labour intensive items like electronic parts, radios and light consumer goods. Many HP countries manufacture these items; these may have to be curtailed and imports of finished products allowed from the LP countries. Alternatively, a large part of the ancillaries could be imported. Once again, a displacement effect in the HP countries is inevitable.

primary products

It must not be forgotten that LP countries like Ceylon and Malaysia are large exporters of primary products such as rubber and tin. Exports will have to be diverted to the HP countries of the area at prices *comparable to* or *even better than* those offered on the international market or by the Chinese.

Trade is more intense among countries with similar demand patterns. This condition applies with force to the south-east Asian countries. With low per capita products, there is a rising income elasticity of demand for consumer goods. Fertilizers and other key inputs are needed to improve agricultural productivity and aid industrial and tertiary activities. Thus, prerequisite for successful cooperation exists given a pragmatic bent of mind.

The location of key private sector and public sector industries will have to be controlled by a Regional Investment Board. It has been suggested that member countries should finance the investment of a regional industry and share the profit in proportion to their consumption of the product, whether it is water utilisation or fertilizer. A Regional Investment Bank on the lines of the Asian Development Bank is, of course, a necessity. But there is little evidence either in market or centrally-planned economies that this is a workable proposition for *industry* as opposed to public utility projects. Generally, the country in which the plant is located in responsible for the bulk of the investment finance, the other participating countries contributing only a relatively small portion. But even this small equity participation would promote regional solidarity.

Free mobility of capital would prevail both in a free trade and common market grouping. This would encourage joint ventures by say Indian entrepreneurs in Malayasia to the exclusion of entrepreneurs from outside the area. Tri-country and multi-country ventures are an interesting possibility. India could collaborate with Indonesia in oil exploration of the latter's shores; similarly, Indonesia could participate in drilling expeditions like the 'Bombay High'. Intra-area collaborators like Japan would then have to deal jointly with more than one country to negotiate deals on profit-splitting which may lessen the total flow of payments away from the area.

interesting suggestion

IMD Little* has put forward an interesting suggestion for *regional international companies* which might well be worth investigation:

(a) Participating governments and a consortium of companies would be the initial shareholders. No single party would have more than 49 per cent of control.

(b) If necessary, governments could sell their shares to their nationals.

(c) Part of the subscriptions would emanate from *aid* funds.

(d) There would be no quantitative restrictions of tariffs for the product of the company.

(e) Inputs would be tax-free and external tariffs of the participating countries would be equalised for its products.

(f) Guidelines will be provided for dividend distribution, rate of return and internal retentions.

Basically, international aid would be used to provide compensation for the "excess cost" of local production in the preliminary stages. Hence the compensation fund represents "true" interest

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* "Regional International Companies as an Approach to Economic Integration" Journal of Common Market Studies, 1966.

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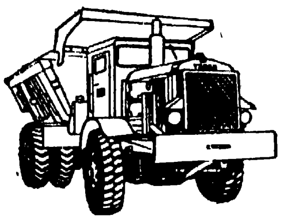

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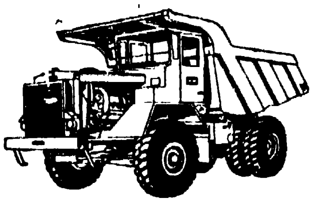

Rear Dump
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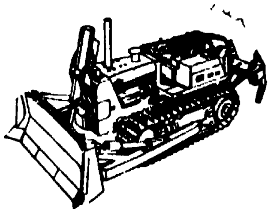

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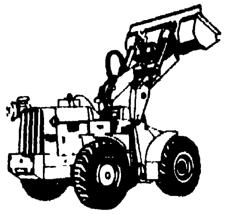

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charges. This is the keynote of Little's proviso that only those enterprises *should be commenced* whose current costs *are not higher than the c.i.f. prices of the corresponding imported* product. If the required rate of return is to be 10 per cent, only products the local cost of which is not more than 10 per cent above that of competing imports should be allowed to be manufactured.

Symbolically, the effect of the scheme is:

(1) $dbC-(p-O)\,bO$ is the benefit for the non-host country.

(2) if earnings are fully paid out, then

$$d = \frac{(p-x)\,O}{C}$$

Substituting (2) into (1) it follows that

(3) $\text{benefit} = bO\,(p-x)$

The argument ignores transportation costs. Hence (1) overstates the benefit to the non-host country by the excess of transport costs from the factory to consumer, compared with normal transportation charges. A significant excess would have to be compensated; otherwise, absorbed into company costs.

tax harmonisation

Quantitative restrictions and import tariffs (QR-IT) characterise the tariff systems of India, Pakistan, Bangla Desh and Ceylon. The Philippines has always floated the peso and is relatively 'liberal' on QRs. Singapore is a quasi-duty free port with emphasis on free trade. Malayasia and Thailand are export-duty oriented. It is thus obvious that ratio of domestic to world prices is considerably different from country to country; the transformation-substitution mix varies greatly. Table III shows that the claim of manufacturing on domestic expenditure and its contributions to the import tariff varies considerably. Tax harmonisation is thus of primary importance.

In a free trade grouping, the major type of tax harmonisation is of a sporadic rather than a structural nature. If there is an external diseconomy associated with the consumption of refrigerators in India, as postulated by the 'radical school' an excess tax should be levied domestically to curb consumption but India must have border tax adjustments on the *destination principles* to promote production for exports to partner countries. This will be of great importance if Sri Lanka or the Philippines changed source of supply from third countries or previously protected domestic producers to a partner country. With perfect supply inelasticity in India, the supply price of refrigerators would be reduced to the extent of the tax and the tax on domestic consumers in Ceylon would become a tax on Indian suppliers. In a free trade area, where member countries, preserve their tariff against third countries adjusted for preferential imports from within the area, tax harmonisation is an *ad hoc* programme rather than a comprehensive 'master plan'.

complicated dimensions

In a common market grouping tax harmonisation assumes more complicated dimensions.

Horizontal equity demands that people in equal economic positions should be treated equally. The individual's total tax bill adjusted by country of primary tax allegiance (c.p.t.a.) is the *same* as that paid by someone from one country. Direct taxes should be levied on the *origin* principle with crediting rules as in the ECM and CACM. As tax structures and rates vary in the member states, differentials could be preserved by allowing exchange rates to take care of differential incidence.

Some element of non-neutrality is bound to arise because of the real income effect generated by a higher degree of social welfare expenditure in some of the partner countries. Again, difference in the *concept* of taxable income will nullify part of the neutralising effect of tax crediting.

In the field of corporate taxation, India and Burma with the highest rates are at a disadvantage. Capital may migrate to say, Malaysia where post-tax returns are higher. A pronounced reduction in the high tax countries will be necessitated particularly if, as seems likely from empirical evidence, the profits tax is shifted forward. The crediting approach will discriminate against a high tax country such as India. Any additional Indian tax cannot be shifted. Foreign income within the area should be exempt from corporations tax and the profits tax treated as a commodity tax.

To attract capital from outside the area, there must be some uniformity of tax holidays, investment allowances, initial allowances and the like. Competitive bidding in an imperfect market distorts resource allocation.

import duties

Afghanistan relies wholly on import duties; Singapore not at all. India and Pakistan derive over 50 per cent of revenue from customs and excise levies. Ceylon and the Philippines are similarly placed but at a lower scale. As said earlier, Ceylon, Malaysia and Thailand get large revenues from export duties.

Unless complicated fiscal frontiers are to be created, India, Pakistan and Bangla Desh will have to scale down their rates to increase economic welfare. So too, Afghanistan. The other countries will increase their taxes and reduce the "differentials" to the minimum. Some form of

TABLE III

Effective Protection (average weighted percentage) — Comparison 1972

	India	Pakistan	Philippines	Ceylon	Malaysia
Export industries	15	22	17	11	6
Import Competing Industries	66	64	92	32	17

Note: This table gives the excess of effective protection over nominal protection on weighted basis for select industries.

'weighting' in regard to the tax ratio and foreign trade ratio in respect of GNP will have to be adopted.

The application of the origin principle within the area will not ensure efficient location of production within the area. A high-cost low-tax country will invade the market of a low-cost high-tax country and high-cost production will be at a premium. Hence the destination principle based on the competition argument is the better alternative. Disparate ratios have to be maintained with export rebates and equalising import levies. But border tax adjustments will also have to take into account difference in government expenditure. The use of the destination principle can thus be rationalised on the supposition that governments are more sensitive to the production as opposed to the consumption inefficiencies created by non-uniform commodity taxation.

complexities involved

It would be useful to stress the complexities involved in export rebating or import compensating policies. First, the importance of a product varies in each country. Second, if processes become diffused over countries of a given area, more transactions will be involved. Rebates will have to be given on weighted averages. They may be hidden export subsidies, or preferential duties. Third, the multi-point sales tax prevalent in India is incompetible with regional economic cooperation at a fiscal level. The average scale applied and tax incorporated in prices may differ: concealed subsidies and duties become effective.

To overcome the 'drawback' problem, it has been suggested that the value-added tax (VAT) should replace sales taxes and Singapore is toying with this idea. The VAT is regarded as neutral as it has the world GNP as its base. Its suitability for the LDCs is a matter of controversy. But it is carefully structured to be passed along in the accounting sense and is the only tax which can lead to a dismantling of fiscal frontiers, if imposed at uniform rates. Its *origin* principle treats consumers of a particular area alike wherever they live.

Fiscal compensation will be necessary to offset the excess cost of imports which a member country buys from its partners at higher than world prices, less the excess cost of its exports to the partners. Apart from a straight inter-treasury transfer based on nominal versus effective tariffs, additional opportunity cost transfers will be necessitated to compensate for the 'spillover' and 'backwash' effects of changed production patterns. Export subsidies in relation to excess costs constitute another means. A third possibility is the subsidisation of the exports of the *least developed* countries among the partners.

Customs revenue could be allotted to member countries in proportion to their exports to the rest of the world. This would provide a much-needed incentive to develop exports and reduce conflict of interests over tariff policy.

Spillover effects of government expenditure create complex issues of allocating tax burdens. Non-export of local tax burden is a prerequisite for a system of fiscal regionalism. Let region A undertake services involving a benefit spillover to B, but not vice-versa. A will equate marginal costs with marginal costs but benefits to the community (A+B) are larger. Efficiency demands that A reduces its output and pays for increased services to B. A+B factor inputs move into the service and aggregate consumption will rise. Cooperation will again be advantageous if the benefit spills both ways; but total factor inputs may fall although overall benefit shows a rise. Hence, either India or Pakistan would have to harness the waters of the Indus with the "non-spending" party paying for services. Competitive expenditure wastes resources without proportionately raising the benefits level.

The charges for subsidised services in Malaysia and Sri Lanka will have to be raised on the origin basis to achieve optimal allocation. Otherwise foreign buyers will be subsidised by consumers of imports in the 'high' social welfare countries who, under the destination principle, make up for the loss in exports. In other words, the fiscal package must be such that consumers are indifferent between the residium offered in the domestic as compared with other regions. The combination of taxes and expenditures will have to lie on the same indifference curve. Compensation arrangements thus assume a wide tapestry of forms and will usually entail some kind of "packing deal" as a condition.

The chief obstacle to regional cooperation is the array of problems in being underdeveloped. A spiralling population growth, increasing group conflict and high illiteracy percentages are hardly conducive to convincing the populace that regionalism is the best course of action. A second hurdle is that it demands increasing commitment from each member, the capacity to indulge in short-term sacrifice for long-term gain.

The success of developmental regionalism will hinge on several factors; better regional planning, the ability to restructure economies, the ability to bargain skilfully and avoid 'throat-cutting' in third-country markets and the ability to pool and effectively use the aid of developed nations. Economic cooperation is time-consuming and bound to be beset with disappointments. The response must be to rise to the challenge and offer alternative forms rather than withdraw into a shell.

Eastern Economist 30 Years Ago

NOV. 15, 1946

In any policy of the post-war transition period which aims to bringing about an orderly stepping down of our inflationary price level, the height at which the prices of agricultural commodities are to be stabilized will be a determining consideration. Speaking recently in the Legislative Assembly on the food situation Dr Rajendra Prasad, Food minister, expressed the government's opposition to an increase in the prices of foodgrains and denied that any case had been made out for it. And this has been followed up by a Press Note, which states that the existing statutory or ceiling prices will continue for another twelve months. The minister for Food also promised early consideration by the government of the report of the sub-committee on agricultural prices. All this is good, so far as it goes, especially the decision not to raise food prices, since any other decision would only be a further impetus to inflation. But surely it does not go far enough.

Old continent is getting older

Jan Vitek

A recent study has revealed that at the end of the current century, the proportion of the aged people in Europe will increase sizeably changing it into a continent of aged misfits. It has also been shown in this study that whatever the economic or political system, the number of elderly people will automatically increase in any country where fertility has been curtailed for a long time. The author has pleaded that the attitude of society toward the elderly must change both for humanitarian and social considerations.

AGE IS creeping up on all the peoples of Europe and the trend is irreversible in most places, according to a report* on 25 countries, just published by the International Social Security Association (ISSA).

It cautions that Europe in the year 2000 may become a continent of aged misfits, unless something is done to change the attitudes of modern society towards its elderly citizens — and fast.

The ILO wants to put the problem of old workers and their place in society on the agenda of its 1978 International Labour Conference.

The threshold of ageing — or the seniority at which a population can be considered as old - is reached when seven or eight per cent of inhabitants are aged 65 or over.

Practically all European nations have passed that mark. Most of them will have doubled and some even trippled the proportion by the turn of the country.

spectacular phenomenon

Population ageing is most spectacular in the Soviet Union where the number of people aged 60 or over is expected to rise from 8.5 in every 100 at the beginning of this decade to 17.4 in 2000 AD.

During the same period, the proportion of the elderly in Greece will increase from 16.4 to 23.9, in Switzerland from 18.8 to 23.5; in the Federal Republic of Germany from 19.4 to 21.5; in Italy from 15.7 to 20.2; and in Belgium from 18.9 to 19.8.

Population ageing will remain at a relatively stable level in France, where there will be some 18 senior citizens per 100 inhabitants in the year 2000, followed by Denmark, 17.7; Norway, 17.5; Spain, 15.7; and Portugal, 14.7.

The German Democratic Republic, which today leads the ageing league with more than 22 persons aged 60 or over in every 100, will experience a slight slowdown by 1.7 at the end of the century.

dropping ratio

Four other countries will also record a drop; Ireland, by 3.1; Austria, 1.8; the United Kingdom, 1.5; and Czechoslovakia, 0.9. But the proportion of senior citizens in all these countries will remain high — between 13 to 18 per cent.

Europe's youngest country is Albania, with only 6.5 "oldsters" per 100 inhabitants. This ratio will increase by a mere 1.5 by the year 2000.

The report points out that whatever the economic or political system, the number of elderly people automatically increases in any country where fertility has been curtailed for a long enough period.

In France the past ten years have seen the return of ageing which the relatively high post-war birth rates had almost managed to stop.

Population ageing will be high and stable in the United States, which will experience a slight increase from today's 14.1 per cent to 14.7 per cent in 2000 AD.

The same goes for Australia where the corresponding figures are 12.5 per cent and 12.9 per cent.

Life expectancy is on the increase. As a result the group of the very old — 75 and over — will double between now and the end of the century in a number of countries, including the USSR, Bulgaria, Poland and Greece.

Higher life expectancy is an area in which women are clearly ahead of men practically everywhere. When they reach 65, most European men may live for 13 more years and women for about 16 on average.

medical facilities

People tend to live longer in polluted cities rather than in the countryside with its sun and fresh air. It is the access to medical facilities which makes all the difference.

All this means that modern societies face a crucial choice; grow or age. Since most of them are afraid of demographic expansion they should be ready to cope with the consequences. Among them:

— The increasing social bill for pensions, medical care and hospitals. What proportion of the national budget is to be earmarked for this purpose? Can the amount go on growing or should a ceiling be fixed? These are some of the questions policy makers will have to decide.

— Reduced competitiveness because of the ageing of working populations can be an obstacle to technological progress and to the phasing out of certain activities which have outlined their usefulness.

— Social discontent among senior citizens whose incomes in most cases decline sharply after retirement.

In this situation it may become necessary to encourage men aged 60 to 70 and younger women to work in certain countries which have a great ageing problem.

There is also a need to ensure all workers minimum pensions that would be inflation proof.

Above all, the attitude of society toward the elderly must change both for humanitarian and social considerations. Today's scale of values tends to reject elderly people who, in turn, tend to reject society, even if only because they feel the world is changing too fast.

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*'Europe is ageing: Causes, aspects and repercussions of demographic ageing', by P. Paillat. Paper presented at a round table meeting on research on ageing and retirement, organised by the International Social Security Association (ISSA), in co-operation with the ISSA Dutch Member Institutions, in The Hague.

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THE WINNERS*

*Here they are — the children from Northern region who've won first prizes in the recent draw. Other winners will be notified by post. Remember, those who haven't got a prize this year, still have many more chances to win!

Rs. 2,000/-

Kumari
Meenakshi Kumar
Simla.

Rs. 1,500/-

Kumari
Saloni Khanna
Delhi 110 006.

Rs. 1,000/-

Kumar
Pradeepkumar lodha
Jaipur 302 006.

Sista's-UTI-735-A/76 N

TRADE WINDS

Monetary Policy Tightened

The Reserve Bank of India has impounded further bank resources to the tune of Rs 150 crores to check the pressure of fast monetary expansion on commodity prices. This has been achieved by raising further the cash reserves required to be maintained by every scheduled commercial bank from five per cent to six per cent of the total demand and time liabilities with effect from November 13.

Liquidity Requirements

The cash reserves ratio was stepped up from four per cent to five per cent on September 4, which resulted in freezing off bank deposits of about Rs 155 crores. Thus, in less than 10 weeks, bank resources to the tune of over Rs 300 crores are being impounded. Following the enhancement of the cash reserves ratio, the minimum cash and liquidity requirements of banks will stand raised from 38 per cent to 39 per cent of demand and time liabilities. Banks will be paid interest on additionally impounded reserves at the rate of 5.5 per cent per annum.

The governor of the Reserve Bank, Mr K.R. Puri, has indicated to commercial banks that "with a view to further regulating the lendable resources of commercial banks, the cash reserves ratio has been stepped up." In his letter, he has asked the banks to observe a greater measure of credit discipline and to ensure that drawals of credit from them "strictly aligns to the minimum inescapable production requirements". In planning their lending operations, banks should reckon with the fact that rediscount and refinance assistance from Reserve Bank "will be extremely limited and selective."

The governor states that an assessment of the recent monetary and credit situation and the trends in commodity prices made by the Reserve Bank reveals that there has been a faster monetary expansion during the current financial year so far (up to October 22, 1976). According to him money supply with the public has increased during the current year by Rs 1,224 crores or 9.7 per cent compared with an increase of Rs 538 crores or 4.6 per cent in the corresponding period of the preceding financial year. The governor has pointed out that the monetary and price trends have thus become "a matter of concern." "It is of the utmost importance that we exercise greater caution in permitting further monetary expansion." he observed. At the current level of bank deposits of over Rs 16,100 crores, a one per cent increase in cash reserves ratio will mean the impounding of nearly Rs 161 crores of bank resources.

Stable Prices

The union Finance minister, Mr Subramaniam, stated in the Lok Sabha recently that the government was drawing up a plan to hold the price line with regard to five or six essential consumer commodities such as cereals, pulses, sugar, standard cloth and edible oils. He added the government would, if the need arose, import these commodities to ensure their ready availability at fixed prices since, in his view, it was the psychology of scarcity which was responsible for the erratic behaviour of prices.

Mr Subramaniam, who was speaking on the withdrawal of the fifth instalment of additional dearness allowance of central government employees, stated that personally he was not satisfied with the method of computing the cost of living index. He hoped the Labour ministry which was presently looking into this matter, would evolve a new formula for the purpose.

Soft Loans

The Federation of Indian Chambers of Commerce and Industry (FICCI) president, Mr M.A. Arunachalam, pointed out in a press statement recently that the scheme for modernisation of traditional industries—textiles, jute, sugar, cement and engineering—announced by government was a welcome move. Due to the inadequacy of depreciation reserves to replace capital assets the prices of which had increased in a phenomenal way due to inflation, industry was not able to find adequate financial resources to undertake modernisation. The scheme for opening a soft window by the IDBI initially with Rs 200 crores a year would largely make good this lacuna, he stated. He added that the concessional element in interest is not sufficient enough to overcome the handicap, particularly for industries like cotton textiles and jute which are passing through rather severe difficulties. He hoped that after an initial trial the scheme will be revised in the light of experience and further allocations made.

Management Information System

A high level advisory committee under the chairmanship of the Finance minister, Mr C. Subramaniam has been appointed to chalk out a comprehensive Management Information and Accounting System (MIAS). The system will be introduced shortly by the government to explore the potential of the new departmental accounting units. The committee includes Finance Secretary, Secretary, (Expenditure), Secretary (Industrial Development) and Chief Consultant, Planning Commission. Mr P.M. Narielwala, president of the Institute of Chartered Accountants of India; Mr A.K. Biswas, president of the Institute of Cost and Works Accountants of India; Prof. V.S. Murty of the University of Bombay: Prof S.K. Bhattacharya of the Institute of Management, Ahmedabad and Mr V.A. Pai Panandikar, Director, Centre for Policy Research, New Delhi have also been nominated on this committee.

Administrative Reforms

As part of major administrative reforms, the ministries of central government have taken over the responsibility for payment and accounting, in a phased manner between April and Ocober 1976. In order to exploit in full the potential of these new departmental accounting units, the central government proposes to introduce very soon a comprehensive Management Information and Accounting System. The Advisory Committee has been formed to advise such a system. The committee will consider and recommend concepts of management accountancy suitable for the ministries and installation of Integrated Management Information System for policy formulation and control; evaluate the present status of performance budgeting and assess the scope for improvement and also advise training programmes suitable for senior and middle level government officers dealing with administration and accounts.

Tariff Value of Sugar

The government has increased the tariff value of free sale sugar from Rs 310 per quintal to Rs 335 per quintal with effect from November 1, 1976. In accordance with the objective of holding the price line, and to avoid an increase in the incidence of duty, the government has made a proportionate reduction in the rate of basic duty of excise from 37½ per cent *ad valorem* to 34 per cent *ad valorem* with effect from the same date i.e. November 1, 1976. The reduced rate of duty applies to the clearance of free sale sugar effected on or after November 1, 1976 to November 30, 1976 (both days inclusive).

Shipping to Assist Exports

The government has constituted a Standing Committee for Promotion of Exports by Shipping (SCOPE SHIPPING). The committee will examine various shipping and port problems relating to export cargo moving by maritime transport and suggest appropriate measures to solve them. SCOPE SHIPPING will function under the chairmanship of Mr P.K. Kaul, additional secretary in the ministry of Commerce, and will include representatives of the ministry of Shipping and Transport, Customs, State Trading Corporation, Shipping Corporation of India, various shipping companies, All India Shippers' Council, Tea Board, Jute Commissioner, Port Trusts of Bombay, Calcutta and Madras, Federation of Indian Exporters' Organisation and Federation of Custom House Agents' Association in India. The terms of reference of the committee include consideration of the question of adequacy and regularity of shipping services including introduction of promotional services, adequacy of shipping space for liner export cargoes in general and particularly for low-freighted items, adequacy of facilities in major and minor ports in respect of warehousing and handling for export shipments and adequacy of inland waterway transport for movement of cargoes from inland centres to port towns.

The SCOPE SHIPPING will also look into the questions of fixation of competitive and non-discriminatory freight rates as also reasonableness of various surcharges levied on country's exports, simplification of documents, customs and other procedures and introduction and expansion of technological innovations like containerisation, pelletisation, and lighter vessels to facilitate carriage of export cargo. Another Trading Committee for Promotion of Exports by Air (SCOPE AIR) has already been functioning for some years.

Handloom Goods Exports

The value of exports of cotton hadloom fabrics have gone up to Rs 11.08 crores during April-July 1976 as compared to Rs 8.75 crores during the corresponding period last year. However, exports of cotton handloom made-ups are slightly lower at Rs 3.3 crores during April-July 1976 as against Rs 3.35 crores during the same period of 1975. While the value of exports of real Madras handkerchiefs have slightly gone down from Rs 4.45 crores in April-July 1975 to Rs 4.40 crores during the period under review. This year, the export earnings of other fabric varieties such as furnishings, Madras chekes, crepe, casements, grey sheetings and seersucker have gone up to Rs 5.15 crores during the period April-July 1976 from Rs 2.13 crores during April-July 1975. The export earnings of towels and napkings during April-July, 1976 have increased to Rs one crore from the level of Rs 65.7 lakhs during April-July, 1975.

Indo-Philippine Cooperation

A protocol for promoting greater cooperation between India and the Philippines in agricultural research was signed recently. According to the protocol, there will be exchange of material, information and scientists between the Indian Council of Agricultural Research and the Philippines Council of Agricultural and Resources Research in a wide range of areas of mutual interest. The areas identified for immediate collaboration include inland fish culture. India and the Philippines will collaborate in research on modern design of fish ponds, development of new fish feeds etc.

The two countries will also collaborate in research on buffalo, goat and poultry improvement. In addition, they will exchange experience and material in dairying and development of animal feeds. The Philippines is going ahead with a major programme of planting a leguminous fodder tree. The Indian Grassland and Fodder Research Institute at Jhansi and the Philippines institutes will collaborate in exchange of fodder trees, shrubs, grass and legumes. On food crops, the two councils will collaborate on research relating to legumes, groundnut, tuber crops like tapioca and sweet potato, pulses like moong, cotton and sugarcane.

India-Iran Protocol

A protocol providing for technical cooperation between India and Iran was signed recently by the president of the Iranian State Railways Dr Pakdaman and chairman of the Railway Board, Mr G.P. Warrier. The protocol concerns track maintenance, renewals, and research, according to an official release. Dr Pakdaman called on the minister for Railways Mr Kamlapati Tripathi and minister of state for Railways, Mr Mohammed Shafi Qureshi and held discussions with them.

General Insurance

The General Insurance Corporation of India has contributed over Rs 7.28 crores to the national exchequer by way of payment towards Government dividends and redemption. Two cheques were presented recently to Mr C. Subramaniam, Finance minister by Mr G.V. Kapadia, Chairman, General Insurance Corporation of India. One cheque for Rs 5.23 crores represents the dividends for 1975 on the shares of the Corporation which are entirely held by the central government. The other cheque for Rs 2.05 crores is towards redemption of part of the preference capital of the Corporation amounting to over Rs 19.05 crores, redeemable by annual instalments by the end of 1984. The total net profit of the Corporation for 1975 amounted to Rs 7.80 crores.

For 1975, the Corporation had declared dividends at 7 per cent on its preference capital and 20 per cent on equity capital. For 1974, the Corporation had declared 12 per cent on its equity capital. The dividend on preference capital for 1973 and 1974 was 7 per cent each year. The paid up capital of the GIC of over Rs 38.55 crores is divided into Rs 19.50 crores as equity capital and over Rs 19.05 crores as preference capital.

The progress of the Corporation has been spectacular. The net premium which was Rs 182 crores in 1972 increased by nearly 53 per cent in three years and touched Rs 280 crores in 1975. The premium is expected to rise by another 18 per cent this year to Rs 330 crores. The expectation for 1977 is to complete Rs 385 crores. The underwriting profit and gross income of funds have also been going up constantly. The gross profit before tax which was Rs 38.6 crores in 1973 rose to Rs 57.7 crores in 1974 and Rs 64 crores in 1975. The gross profit is expected to be around Rs 72 crores in 1976 and will go up by another eight crores to reach Rs 80 crores in 1977.

IATA Meeting

An increase in demand for air transport holds promise for the world's airlines, Mr Knut Hammarskjoeld, Director General of the International Air Transport Association (IATA), said recently. In this report on the state of the industry of IATA's annual general meeting at Singapore, he said "there is a growing recognition that the massive short-falls from required revenue which have accumulated since the late 60's, threaten a capital crisis for the airlines". He told executives of the 108 IATA-member airlines meeting that the orderly development of international air transport continued to rest firmly in the hands of governments. He said IATA members could expect an eight per cent annual average increase in passenger traffic during the 1976-81 period.

Coffee Export Duty

The export duty on coffee has been raised to Rs 1,300 per quintal with effect from November 6, it was officially announced recently. The duty has been raised in view of steep increase in the international prices of coffee in recent months.

New Vessel for India Steamship

India Steamship Company Limited has recently taken delivery of their vessel m.v. "Indian Explorer" constructed at Hindustan Shipyard, Visakhapatnam. Mr S.C. Roy, a director of the company took delivery of the ship, which is of 10,016 GRT and 13,894 DWT

Steel Output

Raw steel production in September 1976 in the 29-member countries of the International Iron and Steel Institute was 38,071,000 tonnes, 11.3 per cent more than the 34,191,000 tonnes in September 1975. The cumulative total for the first nine months of 1976 was 336,098,000 tonnes against 318,473,000 tonnes for the corresponding period in 1975, an increase of 5.5 per cent. Compared with September 1975, steel production in September 1976 rose by 21.9 per cent in the UK, 16.9 per cent in the six original countries of EEC, 12.2 per cent in the USA, and by 6 per cent in Japan. In India the increase was 12.3 per cent from 689,000 tonnes to 774,000 tonnes.

Family Planning Target

Deputy minister for Finance, Mrs Sushila Rohatgi stated in the Lok Sabha recently that the target of sterilisation had been exceeded by 4.5 times. Mrs Rohatgi, who was replying to a discussion on the supplementary demands for grands, strongly defended the family planning programme and stated that population control was the only way to ensure the success of the country's development programmes and give our children a better life. Rebutting the charges that coercion was being used in the implementation of the programme, she referred to the unequivocal statements made by the prime minister and the minister of Health that no compulsion would be used in carrying out the programme.

Price of Alcohol

The Tariff Commission has recommended removal of the existing ceiling of Rs 150 on transport charges on molasses to help increase the utilisation of available molasses by distilleries for production of alcohol. This was stated in the commission's report on the price structure of industrial alcohol, presented in the Rajya Sabha recently. The commission has found that the figures of capacity given by distilleries where somewhat inflated. The demand for industrial alcohol in 1975 was 484,000 k litres. and, during the current year, it would be 532,000 k. litres.

In view of the government's present policy of restricting crude imports, it would be safe to conclude that the demand for molasses-based alcohol was likely to continue and its replacement by naphtha-based alcohol was not likely to be feasible in the near future, the report stated. Since alcohol availability would fall short of the estimated demand, ways and means to augment its production would have to be found, the commission said. One of the ways for augmenting alcohol production would be to ensure adequate supply of molasses to the various distilleries in time.

Names in the News

Mr M.G. Kaul has taken over as executive director of the International Monetary Fund. Mr Kaul who has been secretary, department of economic affairs since December 1, 1972, belongs to the Indian Civil Service. He has been India's alternative governor both on the World Bank and the Asian Development Bank.

Chief economic advisor, **Mr Man Mohan Singh**, has been appointed secretary in the department of economic affairs in place of Mr M.G. Kaul.

Mr Saran Singh has been appointed as secretary of the union department of steel. Mr Saran Singh belongs to the Bihar IAS cadre. The post of the secretary of the steel department goes back to the administrative cadre after the brief experiment of a non-cadre official holding the post.

Additional secretary in the economic affairs department of the union Finance ministry, **Mr M Narasimhan** has been appointed secretary to the department of banking. Mr Narasimhan brings with him experience of 20 years with the Reserve Bank of India.

COMPANY AFFAIRS

Indian Aluminium

THE BOARD of Directors of Indian Aluminium Company Limited, at the meeting held on October 29, has declared an interim dividend of Rs 0.70 on each fully-paid ordinary share with proportionate payment in respect of partly-paid shares. The dividend will be payable to shareholders on record as on November 15, 1976 subject to deduction of taxes.

In the first six months of 1976, Indal's sales revenue, including excise duty, totalled Rs 645.6 million as against Rs 346.2 million in the comparable period of 1975. The increase in sales revenue was primarily due to increased domestic and export sales including higher sales of non-levy metal, as well as a very much higher quantum of excise duty. The company's exports totalled 13,818 tonnes of ingot during the first half of 1976 which also helped to lower its finished goods inventories. The total value of ingot and semi-fabricated products exported in 1976, to date, is around Rs 120 million.

Profit before tax increased to Rs 66.3 million compared to Rs 23.1 million in the first half of 1975, due to improved realisations on the increased shipments. Net profit was Rs 27.3 million after transfer of Rs 1.5 million to investment allowance reserve and provision of Rs 37.6 million for taxes, as compared with Rs 15.6 million in 1975, after transfer of Rs 3.4 million to development rebate reserve and provision of Rs 4.1 million for taxes. The increase in the effective rate of tax in 1976 is due to the exhaustion of tax reliefs available up to 1975 on earlier expansions.

The company's three smelters produced a total of 43,748 tonnes of metal during the first half of 1976, which represents 75 per cent of effective capacity, compared to 33,227 tonnes in the corresponding period of last year. Production would have been higher but for power shortages and interruptions in supply. A significant development in the half-year under review was the increase in primary metal output in the country which improved to 105,470 tonnes from 69,000 tonnes produced in the first half of 1975.

The register of members and share transfer registers of the company will remain closed from November 9 to November 15, 1976, both days inclusive.

HM Earthmoving Equipment Division

The Earthmoving Equipment Division of Hindustan Motors came into formal existence at Trivellore on February 16, 1973. Under arrangement with General Motors, this division manufactures TEREX Earthmovers, the best of its kind in the world.

Construction of the plant began in October 1970. The first phase was completed by January 1973. Immediately thereafter, the factory commenced production of 22.7 ton Rear Dump. In the following month Front End Loader with buckets ranging from 1.24 Cu. M. to 2.29 Cu. M. was added. On the heels of this, a 275 HP Crawler Tractor was introduced in 1974, and a 36.3 ton Bottom Dump Coal Hauler in early 1976. A 31.75 Ton Rear Dump is scheduled for introduction in late 1976.

This capability of introducing one new product almost every year is considered an extremely commendable achievement, even by international standards. The plant, which produced 65 units in the first year (1972-73), will reach 500 machines by the end of 1976.

Import Substitution

Right from inception HM-EED has given maximum attention to import substitution. The indigenous content of the products, even at the early stage of production, were between 60 and 70 per cent. The local contents have been progressively increased, and currently they are within the range of 65 to 86 per cent.

The priority accorded to import substitution has paid rich dividends. In addition to conserving significant amounts of foreign exchange, the company has succeeded in giving tremendous impetus to a number of ancillary and small-scale industries, in addition to stepping up the in-house manufacture of components. In 1972, HM-EED was purchasing about 1300 parts and sub-assemblies from 90 suppliers; today this has gone up to 3400 parts from 225 vendors.

Indigenisation, however, has not been at the cost of quality. To maintain the rigid standards stipulated by General Motors and adhere to the performance rating of TEREX equipment elsewhere in the world, HM-EED has always maintained strict controls and checks at every stage. Thorough appraisal of the sources from where components are bought, rigid inspection standards and extensive checking at every manufacturing stage, followed by trials on a specially designed test track are the methods used to prove the reliability of HM TEREX machines. A measure of the quality of HM TEREX machines is their acceptance in highly developed

Factory building expansion

Mr. Reuben R. Jensen, Director and Executive Vice-President of General Motors Corporation of USA, dedicated the factory building expansion of earthmoving equipment division of Hindustan Motors Ltd on November 8, 1976. The earthmoving equipment division has expanded its floor space by 50 per cent in a little over three years.

Speaking on the occasion, **Mr B.M. Birla,** Chairman, Hindustan Motors, pointed out that the country was poised for a tremendous industrial growth and the increase in the availability of basic raw materials such as steel and power coupled with the government's succesful efforts at containing inflation made it possible for this country to offer engineering goods at competitive prices. He added that industries of developed countries could now look forward to using this industrial capacity in India to sustain their own industrial expansion.

countries such as the U.K. and New Zealand.

HM-EED's most significant step is a programme of manpower development which provides for the accumulation of knowledge and experience through extensive training of its technical personnel at GM TEREX plants in Scotland and the USA.

To provide for greater volume of production and to manufacture machines of larger productive capacity, HM-EED is increasing its assembly space and installing a heavy structural processing shop programmed for bending, burning, shearing, and welding various special steels. As a result, the plant will soon be equipped to produce up to 150 ton Dumpers, 5.34—6.1 cu. m. Loaders and 400 HP Crawlers.

This present extension is only a part of the total expansion envisaged by the division. Future plans portend production of 630 machines of various types, leading to expanding of the factory area and a rise in the number of employees. The fully-expanded plant is scheduled to cover 40,000 sq metres and employ 1,200 men. Overall investment in the programme is around Rs 60 crores.

J.K. Tyre

The J.K. Tyre plant set up at Jaykaygram, Kankroli, a notified backward area in Udaipur District, Rajasthan was commissioned recently. The Rs 33.5-crore plant having a capacity of five lakh automobile tyres and tubes per annum has been set up by J.K. Industries Limited in technical collaboration with M/s General Tire International Company, USA. JKs have installed the latest sophisticated equipment and would also manufacture steel radial tyres for the first time in India. Radial tyres are fast replacing the conventional tyres all over the world and give substantially higher mileage, better road grip which result in considerable fuel economy. This would place the company in an advantageous position in the export markets.

The construction was commenced at the end of June 1975 and the completion of the project of this magnitude in such a short time starting from a scratch in a backward area and involving the development of entire infrastructure including water, power, roads and a complete modern township, is perhaps a record even by international standards.

Mahindra and Mahindra

Mahindra and Mahindra Limited (M&M), has received an export order for 500 jeep hurricane engines valued at Rs 2 million from the USA. Twenty-five years ago, Willys Jeep Corporation of USA provided jeep manufacturing know-how to M&M. Willy's successors, American Motors Corporation, has now ordered 500 jeep engines and is negotiating for a further 600, a fact which amply proves the technical competence of the Indian manufacturers. The first consignment of 125 engines has been shipped and despatch of the remaining 375 is scheduled to be completed shortly.

Since 1968, M&M has exported jeep vehicles valued at over Rs 100 million, to Afghanistan, Bangladesh, Dubai, Indonesia, Jordan, Mauritius, Nigeria, Nepal, New Zealand, Sri Lanka, Tanzania, Yugoslavia, Zaire and Zambia. In addition, under the worldwide marketing programme for spare parts and major assemblies, M&M has been exporting to countries in Latin and North America, Europe, Africa,

Your hands have spoken love.
We know.
They have smoothed wrinkled brows.
Wiped tears.
Awakened to ecstasy, a beloved.
Your hands can caress too
the implements of work
into a passion of productivity.
Work is your other love.
We respect your hands.

Gedore respects your hands.

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west and south-east Asia and to Australasia. Earnings have risen from Rs one million in 1970-71 to Rs 5.5 million in 1975-76 and current projections indicate a continuation of this growth in sales over the next two to three years.

Haryana Detergents

Haryana Detergents, a company promoted in financial collaboration with Messrs Orient Investment (P) Ltd, a renowned and well-known industrial group of Calcutta and Haryana State Industrial Development Corporation, is setting up a plant at Dharu Hera, a notified backward area in the state of Haryana. The plant will have an installed capacity of 10,000 tonnes for producing synthetic detergents both in the form of powder and cakes and will be the first of its kind in the state. The project has been conceived keeping in view the higher standard of living in this region owing to agricultural and industrial prosperity and a steady increase in the use of detergents in urban and rural areas in the country.

Technical Know-how

Messrs Sarabhai Machinery besides providing the technical know-how for the process will be supplying the major part of the equipment for the project. Barring unforeseen circumstances the company hopes to commission its plant in the third quarter of 1977.

The capital cost of the project is estimated at Rs 270 lakhs and it will be financed by long-term loan of Rs 176 lakhs (including central subsidy of Rs 15 lakhs) from financial institutions and issue of equity shares worth Rs 94 lakhs to promoters and the public.

The company has already issued equity shares worth Rs 29.008 lakhs which have been subscribed and paid up by the promoters and their associates. The balance of equity out of 51 per cent of total capital will be taken up by the promoters as and when required. The company is taking necessary steps for issuing to the public shares amounting to Rs 46.06 lakhs.

News and Notes

The Airbus, which the Indian Airlines will shortly import from France, will be fitted with tyres manufactured by **Dunlop India**. In fact, the first Indian Airlines Airbus has made its maiden landing in Bombay on Dunlop India tyres on November 11. This is the first time that Indian-made aero tyres have been accepted as original equipment for a highly sophisticated aircraft manufactured abroad.

Having served the Indian Aviation sector for many years, Dunlop India is now making efforts to export Indian-made aero tyres and has succeeded in receiving initial orders from a number of countries.

There are only a few countries in the world who have the expertise and facilities for manufacturing aero tyres. The development and local manufacture of tyres for Airbus is a tribute to India's technological progress. Apart from saving foreign exchange, the new project makes India self-reliant in a vital product.

Scindias have placed order with Mitsubishi Heavy Industries Ltd, Japan, for construction of one 20,000 DWT vessel at a cost of Rs 11.40 crores. The ship was originally contracted for on August 7, 1976, by the Shipping Corporation of India Ltd. The formalities in regard to the transfer of this contract to Scindias were finally concluded when the assignment agreement was signed on November 2, 1976.

The ship which is a modern cargo liner with facilities to carry containers and with a speed of 18 knots, is expected to be delivered in March 1978. Scindias have previously ordered with M/s Mitsubishi Heavy Industries Ltd, two cargo liner vessels—M. V. "Jalakrishna" and M.V. "Jalakirti"—which are presently employed in the company's overseas trade.

The acquisition of the Japanese vessel is a part of the major expansion programme undertaken by the company, under which a total outlay of Rs 108 crores has been provided and which will take the company's fleet to over one million DWT.

New Issues

Govind Poy Oxygen Ltd, promoted by Southern Gas Ltd and Mr M.G. Poy Raiturcar and Mr A.G. Poy Raiturcar is offering 240,000 equity shares of Rs 10 each for cash at par to the public for subscription. The subscription list for this fully underwritten issue opened on November 9 and will close on November 19 or earlier at the discretion of the directors of the company but not before November 11, 1976. The company is setting up a project at Gingur Naique, Margao, for the manufacture of nine lakh cubic metres of oxygen, 720,000 cubic metres of nitrogen and two lakh cubic metres of acetylene per annum. Considerable progress has been made in the implementation of the project. Barring unforeseen circumstances the company hopes to commence commercial production by December 1976.

Karnataka Oxygen Ltd is offering 392,000 equity shares of Rs 10 each for cash at par to the public for subscription. The subscription list opened on November 10 and will close on November 20 or earlier but not before November 12, 1976. The public issue is fully underwritten.

The company has placed orders for two oxygen and acetylene plants with Indian Oxygen Ltd. The capacity of each oxygen plant is 140 cu ms per hour and acetylene plant is 40 cu ms. per hour. The oxygen plants can produce 70 per cent liquid oxygen and 30 per cent in gaseous form. Facilities are available to convert liquid oxygen into gaseous oxygen. One oxygen plant of 140 cu ms. per hour has already been commissioned and commercial production was started in February 1976. Part delivery of acetylene plant has also been received.

The project is located at Whitefield Road, near Bangalore. The cost of the project is estimated at Rs 201.60 lakhs and it will be financed by the share capital of Rs 80 lakhs, term loans and debentures from financial institutions and banks of Rs 120 lakhs and deferred payment credit of Rs 1.60 lakhs. As the company's plant is surrounded by mini steel plants and engineering units who are the bulk consumers of industrial gases, the company does not anticipate any difficulty in marketing its products.

Capital and Bonus Issues

The government has granted consent to five companies to raise capital of nearly Rs 29.90 million. The details are as under.

Messrs the Maneklal Hiralal Spinning and Manufacturing Co Limited, Ahmedabad, has been accorded consent, valid countries such as the U.K. and New Zealand.

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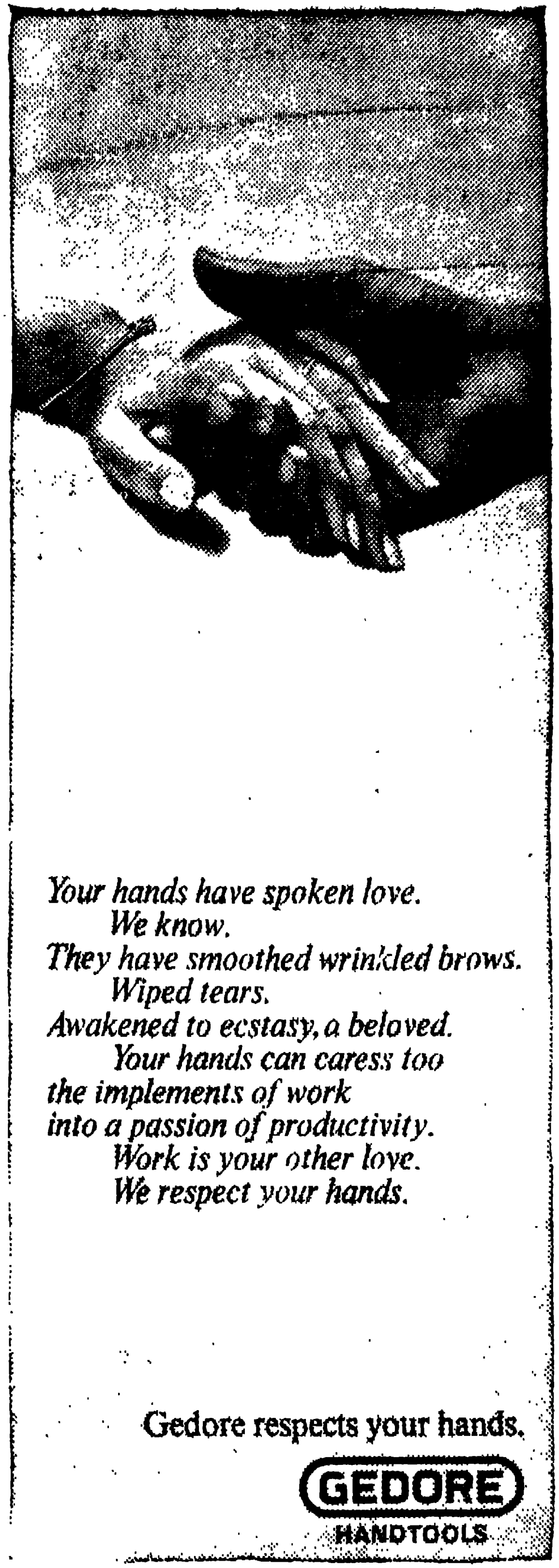
Mahindra and Mahindra Limited (M&M), has received an export order for 500 jeep hurricane engines valued at Rs 2 million from the USA. Twenty-five years ago, Willys Jeep Corporation of USA provided jeep manufacturing know-how to M&M. Willy's successors, American Motors Corporation, has now ordered 500 jeep engines and is negotiating for a further 600, a fact which amply proves the technical competence of the Indian manufacturers. The first consignment of 125 engines has been shipped and despatch of the remaining 375 is scheduled to be completed shortly.

Since 1968, M&M has exported jeep vehicles valued at over Rs 100 million, to Afghanistan, Bangladesh, Dubai, Indonesia, Jordan, Mauritius, Nigeria, Nepal, New Zealand, Sri Lanka, Tanzania, Yugoslavia, Zaire and Zambia. In addition, under the worldwide marketing programme for spare parts and major assemblies, M&M has been exporting to countries in Latin and North America, Europe, Africa,


Your hands have spoken love.
We know.
They have smoothed wrinkled brows.
Wiped tears.
Awakened to ecstasy, a beloved.
Your hands can caress too
the implements of work
into a passion of productivity.
Work is your other love.
We respect your hands.

Gedore respects your hands.

GEDORE
HANDTOOLS

HT-GT-3574 A-1

west and south-east Asia and to Australasia. Earnings have risen from Rs one million in 1970-71 to Rs 5.5 million in 1975-76 and current projections indicate a continuation of this growth in sales over the next two to three years.

Haryana Detergents

Haryana Detergents, a company promoted in financial collaboration with Messrs Orient Investment (P) Ltd, a renowned and well-known industrial group of Calcutta and Haryana State Industrial Development Corporation, is setting up a plant at Dharu Hera, a notified backward area in the state of Haryana. The plant will have an installed capacity of 10,000 tonnes for producing synthetic detergents both in the form of powder and cakes and will be the first of its kind in the state. The project has been conceived keeping in view the higher standard of living in this region owing to agricultural and industrial prosperity and a steady increase in the use of detergents in urban and rural areas in the country.

Technical Know-how

Messrs Sarabhai Machinery besides providing the technical know-how for the process will be supplying the major part of the equipment for the project. Barring unforeseen circumstances the company hopes to commission its plant in the third quarter of 1977.

The capital cost of the project is estimated at Rs 270 lakhs and it will be financed by long-term loan of Rs 176 lakhs (including central subsidy of Rs 15 lakhs) from financial institutions and issue of equity shares worth Rs 94 lakhs to promoters and the public.

The company has already issued equity shares worth Rs 29.008 lakhs which have been subscribed and paid up by the promoters and their associates. The balance of equity out of 51 per cent of total capital will be taken up by the promoters as and when required. The company is taking necessary steps for issuing to the public shares amounting to Rs 46.06 lakhs.

News and Notes

The Airbus, which the Indian Airlines will shortly import from France, will be fitted with tyres manufactured by **Dunlop India**. In fact, the first Indian Airlines Airbus has made its maiden landing in Bombay on Dunlop India tyres on November 11. This is the first time that Indian-made aero tyres have been accepted as original equipment for a highly sophisticated aircraft manufactured abroad.

Having served the Indian Aviation sector for many years, Dunlop India is now making efforts to export Indian-made aero tyres and has succeeded in receiving initial orders from a number of countries.

There are only a few countries in the world who have the expertise and facilities for manufacturing aero tyres. The development and local manufacture of tyres for Airbus is a tribute to India's technological progress. Apart from saving foreign exchange, the new project makes India self-reliant in a vital product.

Scindias have placed order with Mitsubishi Heavy Industries Ltd, Japan, for construction of one 20,000 DWT vessel at a cost of Rs 11.40 crores. The ship was originally contracted for on August 7, 1976, by the Shipping Corporation of India Ltd. The formalities in regard to the transfer of this contract to Scindias were finally concluded when the assignment agreement was signed on November 2, 1976.

The ship which is a modern cargo liner with facilities to carry containers and with a speed of 18 knots, is expected to be delivered in March 1978. Scindias have previously ordered with M/s Mitsubishi Heavy Industries Ltd, two cargo liner vessels—M. V. "Jalakrishna" and M.V. "Jalakirti"—which are presently employed in the company's overseas trade.

The acquisition of the Japanese vessel is a part of the major expansion programme undertaken by the company, under which a total outlay of Rs 108 crores has been provided and which will take the company's fleet to over one million DWT.

New Issues

Govind Poy Oxygen Ltd, promoted by Southern Gas Ltd and Mr M.G. Poy Raiturcar and Mr A.G. Poy Raiturcar is offering 240,000 equity shares of Rs 10 each for cash at par to the public for subscription. The subscription list for this fully underwritten issue opened on November 9 and will close on November 19 or earlier at the discretion of the directors of the company but not before November 11, 1976. The company is setting up a project at Gingur Naique, Margao, for the manufacture of nine lakh cubic metres of oxygen, 720,000 cubic metres of nitrogen and two lakh cubic metres of acetylene per annum. Considerable progress has been made in the implementation of the project. Barring unforeseen circumstances the company hopes to commence commercial production by December 1976.

Karnataka Oxygen Ltd is offering 392,000 equity shares of Rs 10 each for cash at par to the public for subscription. The subscription list opened on November 10 and will close on November 20 or earlier but not before November 12, 1976. The public issue is fully underwritten.

The company has placed orders for two oxygen and acetylene plants with Indian Oxygen Ltd. The capacity of each oxygen plant is 140 cu ms per hour and acetylene plant is 40 cu ms. per hour. The oxygen plants can produce 70 per cent liquid oxygen and 30 per cent in gaseous form. Facilities are available to convert liquid oxygen into gaseous oxygen. One oxygen plant of 140 cu ms. per hour has already been commissioned and commercial production was started in February 1976. Part delivery of acetylene plant has also been received.

The project is located at Whitefield Road, near Bangalore. The cost of the project is estimated at Rs 201.60 lakhs and it will be financed by the share capital of Rs 80 lakhs, term loans and debentures from financial institutions and banks of Rs 120 lakhs and deferred payment credit of Rs 1.60 lakhs. As the company's plant is surrounded by mini steel plants and engineering units who are the bulk consumers of industrial gases, the company does not anticipate any difficulty in marketing its products.

Capital and Bonus Issues

The government has granted consent to five companies to raise capital of nearly Rs 29.90 million. The details are as under.

Messrs the Maneklal Hiralal Spinning and Manufacturing Co Limited, Ahmedabad, has been accorded consent, valid for six months, to capitalise Rs 1.6 million out of its general reserve and issue fully paid equity shares of Rs 200 each as bonus shares in the ratio of one bonus share for every three equity shares held.

Messrs Tezpore Tea Company Limited, Calcutta, has been accorded consent, valid for six months, to capitalise Rs 1,784,590 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of three bonus shares for every five equity shares held.

Messrs the Indian Yeast Co Ltd has been accorded consent, valid for six months, to capitalise Rs 1.5 million out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every two equity shares held.

Messrs J.K. Industries Limited, Calcutta, has been accorded consent, valid for 18 months to the issue of (i) 1,311,667 equity shares of Rs 10 each at par on right basis, and (ii) 18,833 cumulative redeemable preference shares of Rs 100 each carrying dividend at the rate of 11 per cent per annum free of company's tax but subject to deduction of tax at source at the (prescribed rate) at par to the government of Rajasthan The proceeds of the issue will be utilised to meet a part of the overrun cost of their tyre and tube project in Udaipur district.

Messrs the Delhi Cloth and General Mills Company Limited, Delhi, a public limited company registered in the Union Territory of Delhi and having a paid-up capital of Rs 195,755,900 has been granted consent valid for a period of 18 months, for issue to the general insurance companies of privately placed convertible debentures of the value of Rs 10 million. The proceeds of the issue are to be utilised to meet a part of the capital cost of the foundry project to be established in the district Hoshiarpur, Punjab.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Consolidated Coffee	June 30, 1976	25.0	20.0
Stanes Amalgamated	June 30, 1976	18.0	16.0
Same Dividend			
Bharat Bijlee	June 30, 1976	12·0	12.0
Cauvery Sugars and Chemicals	June 30, 1976	Nil	Nil
Crompton Greaves	June 30, 1976	15.0	15.0
Kothari Sugar	June 30, 1976	Nil	Nil
Reduced Dividend			
Associated Cement Companies	July 31, 1976	12.0	14.0
Premier Tyres	June 30, 1976	10.0	18.0
Great Eastern Shipping	June 30, 1976	20.0* (a)	36.0

* In addition to three for five bonus issue.

(a) For-fifteen months ended June 30, 1976.

Licences and Letters of Intent

THE FOLLOWING licences and letters of intent were issued under the Industrial (Development and Regulation) Act 1951 during the month of August 1976. The list contains the names and addresses of the licensees, articles of manufacture, types of licences—New Undertakings (NU), New Articles (NA), Substantial Expansion (SE), Carry on Business (COB), Shifting—and Annual Installed Capacity. Details regarding licences and letters of intent revoked, cancelled or surrendered are also given.

Licences Issued

Metallurgical Industries (Ferrous)

M/s Apeejay Steels Pvt. Ltd; Tanda Road, Jullundur City—(Jullundur City—Punjab)—M. S. Ingots, Electrode quality carbon steel; etc.-9,000 tonnes—(COB)

M/s Industrial Containers Ltd; 21-Netaji Subhas Rd; Calcutta—(Calcutta-West Bengal) M. S. Drums/Barrels of capacity exceeding 50 litres made from 16-G to 26 G. (1.66 MM—0.50MM)—24,000 tonnes -(NA)

M/s Bangalore Wire Rod Mills, Unit of Transport Corpn. of India Limited- M.G. Road, Secunderabad—(Bangalore-Karnataka)—Bars, Angles Channels, Joists and Light Rails—21,600 tonnes—(COB)

M/s National Steel & General Mills, Patel Marg, Post Box No. 51, Ghaziabad—(Ghaziabad-U.P.)—Pipe Fittings such as Flanges Discs and Rings (Carbon Alloy & Stainless Flanges)—2,000 tonnes - (NA)

M/s Vishal Malleables Pvt. Ltd; 8-Kailash Society, Ashram Road, Ahmedabad - (Ahmedabad-Gujarat)—Malleable Iron Pipe Fittings -2,400 tonnes (NU)

M/s Ennore Foundries Ltd; Ennore, Madras—(Chingleput, Tamil Nadu)—High Quality Ferrous and Non-Ferrous Castings—21,500 tonnes—(SE)

M/s Punjab Concast Steels Ltd; G. T. Road, Sherpur, Ludhiana—(Ludhiana-Punjab)—Rolled Products (Light and Medium Sections) -30,000 tonnes—(NU)

M/sBharatpur Oxygen Pvt. Ltd; Bagaria Bhavan, 'C' Scheme, Jaipur - (Goalpara, Assam)—Nitrogen Gas—0.45 MCM—(NA)

M/s Duro Alloy Steel Castings Pvt. Ltd; 9/A, Valmiki Street, T. Nagar, Madras—(Dharmapuri, Tamil Nadu)—S. G. Iron Castings—750 tonnes. Ni-Hard Castings—500 tonnes—(NU)

M/s Precision Fasteners Ltd; New India Centre, 17-Cooperage Road, Bombay—(Maharashtra)—Specialised types of Machine Screws—870 tonnes. High Tensile Bolts & Nuts and High Tensile Studs—1,230 tonnes. Stainless Steel Bolts, Nuts and Studs (including friction grip bolts and track shoe-bolts)—300 tonnes. Total—2,400 tonnes—(SE/NA)

Electrical Equipments

M/s Hogg Electronics Corpn, 306, Avanashi Road, Coimbatore—(Coimbatore—Tamil Nadu)—Key Boards and parts thereof—25,000 thousand sets—(NA)

M/s The Mysore Lamp Works Ltd; Old Tumkur Road, Mallaswaram West P.O., Bangalore—(Bangalore—Karnataka)—Lead-in-Wires—25 mill. nos—(NA)

M/s Philips India Ltd; 7-Justice Chandra Madhab Road, Calcutta.—(Maharashtra)—Carbon Film Resistor—50 Electrolytic Capactitors—12.0 Polyester Capacitors—25.0 Ceramic Capacitors—50.0 Variable Gang Condensers—1.636—(SE)

M/s Standard Capacitors Pvt. Ltd; 209, Poona-Bombay Road, Pimpri, Poona—(Ratnagiri-Maharashtra)—Metalized Paper/Polyproplene Capacitors—3 mill. nos. Metalized Lacquer film capacitors & Metalized Polyester and Polycarbonate Film Capacitors—6 mill. nos.—(NU)

M/s Central Electronics Ltd; N.P.L. Campus, Hillside Road, New Delhi—(Sahibabad—U.P.)—Ceramic Capacitors—5 mill. nos. Piezeo/Electric Elements—1 mill. nos. High Alumina components—4 tonnes—(NU)

Transportation

M/s Laxman Technical Pvt. Ltd; 68/1, Najafgarh Rd; New Delhi—(Gurgaon-Haryana)—Scooters—24,000 nos.—(NU)

Industrial Machinery

M/s Amber Bearing Manufacturing Co. Pvt. Ltd; Plot No. G-3; MIDC Industrial Area, Hingna Road, Nagpur—(Nagpur-Maharashtra)—Ball Bearing—3.50 Lakh nos. Cylinder Roller Bearings—1.44 lakh nos. Tapered Roller Bearings—0.30 lakh nos. Total—5.33 Lakh nos.—(NU)

M/s Etscheid India (P) Ltd; 1/8, Prince Golam Md. Road, Calcutta.—(Hooghly—West Bengal)—1. Cooling Tank type KW-250 capacity 258 litres—720 nos., 2 Cooling Tank type KW-500; capacity 516 litres—576 nos, 3. Cooling Tank type KW 1000 capacity 1024 litres—432 nos., 4. Cooling Tank type KW 2000 capacity 2040 litres—288 nos., 5. Cooling tank type KW 5000 capacity 50 litres—180 nos., 6. Cooling Tank type KT-10800 capacity 10800—48 nos., 7. Cooling Tank type KT-20,000 capacity 20,000—24 nos.—(NU).

M/s Southern Structurals Ltd; 29-A, Chemiers Road, Madras-28.—(Pattabiram-Tamil Nadu)—Bucket Wheel Excavators 1,100 tonnes—(NA)

Ms/ K. C. P. Limited, Rama Krishna Building, 38, Mount Rd; Madras.—(Chingleput-Tamil Nadu)—1. Open reduction Gears; and Pinions; 2. High Speed Gears; 3. Girth Gears & 4. Gear Boxes.—Total—600 tonnes—(NA)

M/s Century Enka Ltd; Bakhtawar, Nariman Point, Bombay.—(Poona-Maharashtra)—Nylon—7-D : 6.5 tonnes per day—(SE).

Miscellaneous, Mechanical & Engg. Industries

M/s Steel & Allied Products Ltd; 2/1, Hossain Shah Road, Calcutta-23—(Howrah-West Bengal)—1. Hot Saws—3,000 nos., 2. Segmental Saw Discs—1,600 nos. (NU)

M/s Philips India Limited, Shivsagar Estate, Block 'A', Dr Annie Besant Road, Bombay—(Thana-Maharashtra)—Diamond Wire Drawing Dies.—5,000 nos.—(SE)

WIMCO LIMITED

NOTICE

It is hereby notified for the information of the public that WIMCO LIMITED proposes to make an application to the Central Government in the Department of Company Affairs, New Delhi under sub-section (2) of section 22 of the Monopolies and Restrictive Trade Practices Act, 1969 for approval for the establishment of a new undertaking for the production, supply and distribution of Processed and Canned Seafoods. The capacity proposed to be installed is 6,000 tonnes per annum which will give a production value of Rs 480 lakhs per annum at full production. Other particulars of the proposed new undertaking are as under:

(i) Name of the proposed undertaking	WIMCO LIMITED
(ii) Name of the Body corporate proposing to establish the new undertaking	WIMCO LIMITED
— Details of its management structure together with that of the proposed undertaking	Managing Director under the superintendence of a Board of Directors
(iii) Capital structure of the applicant Body Corporate & of the proposed undertaking	**Authorised** Rs. 10,00,00,000 10,00,000 equity shares of Rs. 100 each **Issued & Subscribed** Rs. 6,20,00,000 6,20,000 equity shares of Rs. 100 each
(iv) Proposed location of the new Undertaking	The processing facilities are planned to be established at the following locations: (a) Gujarat State — Dist: Junagadh (b) Goa (c) Tamil Nadu State — Dist: Tirunelveli (d) At a location in the Andaman & Nicobar Islands. (e) Orissa State—Dist: Cuttack
(v) Estimated cost of the project and the scheme and source of finance	The estimated cost of the project is Rs 490 lakhs. This cost will be met from the internal resources of the Company including the issue of fresh equity to Indian shareholders which will be made to bring down the percentage of foreign shareholding as required by FERA — and borrowings from Financial Institutions. Where applicable, foreign exchange loans will be taken from Financial Institutions for purchase of Trawlers.

Any person interested in the matter may make a representation to the Secretary, Department of Company Affairs, Government of India, Shastri Bhavan, New Delhi, within 14 days from the date of publication of this Notice, intimating his views on the proposal and indicating the nature of his interest therein.

WIMCO LIMITED
M.V. HATE
DIRECTOR & SECRETARY

BOMBAY: 4.11.1976

Industrial Instruments

M/s Instrumentation Ltd; Kota—(Kota-Rajasthan)—Infrared Analyser Set—240 nos. Thermal Conductivity Analyser Set—160 nos. Para Magnetic Analyser Set-140 nos. Trace Gas Analyser Set—100 nos. Total—640 nos.—(NA)

Fertilizers

M/s M. P. State Co-operative Marketing Federation Ltd; Maheshwari Building, Jehangirabad, Bhopal—(Bhopal-Madhya Pradesh)—Granulated Fertilizers—45,000 tonnes—(NU)

Chemicals (Other than Fertilizers)

M/s Vora Plastic Manufacturing Co, Vora Baug, Ghuatu Road, Morvi—(Morvi-Gujarat)—Injection Moulded Goods—62 tonnes. Extruded Goods—80 tonnes—(COB)

M/s Mahabir Plastic Industries, 6-Canal Road, Newalipore, Calcutta—(Calcutta-West Bengal)—Injection Moulded Goods—257 tonnes. Extruded Goods—57 tonnes—(COB)

M/s Polyset Corporation, Plot No. A-44/45, MIDC, Off. Mahakali Caves Road, Andheri (East), Bombay—(Bombay-Maharashtra)—Injection Moulded Items—559 tonnes—(COB)

M/s Milton's (Private) Ltd; Milton's House, Prabhadevi, Bombay—(Bombay-Maharashtra)—Polyethylene Films and Bags—1,588 tonnes—(COB)

M/s Unipol Plastic Industries (Pvt.) Limited, Setalvad House, Mirzapur Road, Ahmedabad—(Odhav-Gujarat)—Thermoplastic Sheets—64 tonnes. Lay Flat Tubings—10 tonnes—(COB)

M/s Garware Filament Corpn. Pvt. Ltd; Chowpatty Chambers, Sandhurst Bridge, Bombay—(Poona-Maharashtra)—Polyethylene, Woven Fabrics, Twine and Ropes—324 tonnes—(COB)

M/s T. T. Blades, T. T. Blade Building, 9-A, Saki Naka, Andheri, Bombay——(Bombay-Maharashtra)—Injection Moulding—48 tonnes. Extrusion—33 tonnes—(COB)

The General Manager, Bhilai Steel Plant, Bhilai—(Durg-Madhya Pradesh)—Sulphuric Acid (100% concentration)—45,000 tonnes (NA)

M/s Shri Ajay Mohan, 22-Paras Little Gibbs Rd, Malabar Hill, Bombay-6—(Maharashtra)—Biaxially Oriented Polypropylene Films—800 tonnes—(NU)

M/s Bengal Chemical & Pharmaceutical Works Limited, 6-Ganesh Chandra Avenue, Calcutta—(24-Parganas, West Bengal)—Alumina Ferric—29,700—(SE)

M/s Resoi Vanaspati & Industries Ltd; Raja Court-29, Sir R. N. Mukherjee Road, Calcutta —(Calcutta-West Bengal)—Oxygen Gas—4 Lakh Cubic Meters—(NA)

M/s Sudarshan Chemical Industries Ltd; 162, Welleseley Rd; Sangam Bridge, Poona—(Colaba-Maharashtra)—Beta Naphthol—2,000 tonnes—(NA)

M/s Calcutta Chemicals Co Ltd; 35-Panditia Road, Calcutta—(Calcutta-West Bengal)—Synthetic Detergents—5,000 tonnes—(NU)

M/s Tata Oil Mills Co Ltd; Bombay House, Homi Modi Street, Fort, Bombay—(Bhagalpur, Bihar)—Synthetic Detergents—10,000 tonnes—(NU)

M/s Madhya Pradesh Glychem Industries Ltd; Maheshwari Bhavan, Civil Lines, Bhopal—(Ujjain-Madhya Pradesh)—Fatty Acids—3,600 tonnes. Glycerine—450 tonnes (NA)

M/s Pravan Air Products Pvt Ltd; 82-GIDC Complex, Makarpure Industrial Estate, Badodara.—(Baroda—Gujarat)—Nitrogen Gas—0.720 MGM—(NA)

M/s Indian Metals & Carbide Ltd; 21-A, Shakespeare Sarani, Flat 5B, Calcutta—(Koraput-Orissa)—Silicon Carbide—3,600 tonnes—(NU)

Dye-Stuffs

M/s Sahyadri Dyestuffs & Chemicals, Division of Mafatlal Industries Ltd; Mafatlal House, Backbay Reclamation, Bombay—(Bombay-Madhya Pradesh)—Dimethylaniline—3,000 tonnes—(NU)

Drugs & Pharmaceuticals

M/s Raptakos Brett. & Co. Ltd; 47-Dr. Annie Besant Road, Worli, Bombay—(Madras-Tamil Nadu)—1. Hepateglobine—5 lakh litres. 2. Neogadine—5 lakh litres—(SE)

M/s Oriental Pharmaceutical Industries Ltd; 64-66, Senapati Bapat Marg, Mahim, Bombay—(Maharashtra)—1. Salicopil Tablets-200 lakh nos. 2. Hydrochlorothiazide Tablets (Disretic)—50 lakh nos. 3. Pheniramine Maleate Tablets (Anti-Histamine)—200 lakh nos. 4. Sulphasomidine Tablets (Antimicrobial)—250 lakh nos.—(NA)

M/s Searle (India) Ltd; Ralli House, 21-Raveline Street, Bombay—(Bangalore-Karnataka)—Diosgenin—5 tonnes— (NA)

Textiles

M/s Kumar Woollen Mills, 84/6, Factory Area, Fazalganj, Kanpur—(Unmao—U.P.)—Shoddy Yarn—600 shoddy spindles—(NA)

Shree Sadul Textiles Ltd; Sriganganagar—(Sriganganagar, Rajasthan)—Cotton Cloth—718 looms—(SE)

M/s Rewari Textiles Pvt Ltd; 3711/14, Netaji Subhas Rd, Darya Ganj, Delhi—(Rewari-Haryana)—Shoddy Yarn—600 Spindles—(NU)

M/s E. Sefton & Co (P) Ltd; Jabalpur Road, Mirzapur—(Mirzapur-U.P.)—Worsted Yarn—1,200 Worsted Spindles.—(NU)

Paper & Pulp including Paper Products

M/s Ellora Paper Mills Ltd; Aban House, Rope Walk St; Fort, Bombay—(Bhandara-Maharashtra)—Writing, Printing Paper, Craft Paper & Packing Paper—13,000 tonnes—(NU)

Sugar

M/s Yeshwant Sehakari Sakhar Karkhana Ltd; Theur, Taluk Haveli, Poona—(Poona-Maharashtra)—Sugar—2,000 tonnes of Cane Crushing Capacity daily—(SE)

M/s The Kisan Co-operative Sugar Factory Limited, P.O. Majhola, Pilibhit—(Pilibhit-U.P.)—Sugar—2,000 tonnes—(SE)

M/s Sahakari Khand Udyog Mandal Ltd; Gandevi, via: Bilimora, Bulsar—(Bulsar-Gujarat)—Sugar—1,500 tonnes of Cane Crushing capacity daily—(SE)

M/s Shree Chalthan Vibhay Khand Udyog Sahakari Mandli Ltd; Chalthan, P.O. Chalthan, Distt; Surat—(Surat-Gujarat)—Sugar—2,000 tonnes of Cane Crushing capacity daily—(SE)

M/s Punjab State Industrial Development Corpn Ltd; SCO. 54-56, Sector 17-A, Chandigarh—(Ferozepur-Punjab)—Sugar—1,250 tonnes—(NU).

M/s Sree Hanuman Co-operative Sugars Ltd; Hanuman Junction P.O. Krishna, Andhra Pradesh—(Krishna—Andhra Pradesh)—Sugar—1,250 tonnes of Cane Crushing capacity daily—(NU)

Fermentation Industries

M/s Sun Engineering Corpn., Amit Cottage, Near Naranpura, Ahmedabad—(Ahmedabad-Gujarat)—1. Industrial Alcohol for uses other than potable purposes—6.0 mill. litres. 2. Carbon Dioxide/Dry ice.—13.33 lakh Kg—(NU)

Food Processing Industries

M/s Andhra Pradesh Dairy Development Corpn Ltd; Lalapet, Hyderabad—(Guntur-Andhra Pradesh)—1. Whole Milk Powder or Baby Foods of Skimmed Milk Powder—2,000 tonnes, 2. Butter or Ghee—1,000 tonnes; 3. Casein—100 tonnes; 4. Sweetened Condensed Milk—500 tonnes, 5. Cheese—300 tonnes —(NU)

M/s Andhra Pradesh Dairy Development Corpn. Ltd; Lalapet, Hyderabad—(Hyderabad-Andhra Pradesh)—1. Whole Milk Powder or Baby Food or Skim Milk Powder—1,500 tonnes. 2. Butter—500 tonnes. 3. Ghee—500 tonnes. 4. Sweetened Condensed Milk—500 tonnes. 5. Cheese 300 tonnes—(NU)

Vegetable Oils & Vanaspati

M/s Bharat General & Textile Industries Limited, 9/1, R. N. Mukherjee Road, Calcutta—(Amravati-Maharashtra)—Oil from cotton seeds and other minor oil seeds—12,500 tonnes in terms of oilseeds—(SE)

M/s Hukam Chand Vegetable Oils & Solvent Industries, 234, Fatehpuri, Chandni Chowk, Delhi—(Bulandshahr, U.P.)—Crushing of minor oilseeds including Cottonseeds through the expeller—7,500 tonnes in terms of minor oilseeds—(NU)

M/s Jayant Oil Mills Pvt. Ltd; 13, Sitafalwadi, Mazgaon, Dr Mascarenhas Rd; Bombay—(Hyderabad-Andhra Pradesh)—Castor Oil and other Byproducts—12,500 tonnes in terms of castor seeds—(NA)

Rubber Goods

M/s Cosmos India Rubber Works (P) Ltd; Post Box No. 107 Homji Street, Bombay—(Nasik-Maharashtra)—Long Length Moulded Hoses, High Pressure Hydraulic Hoses, Chemical Hoses, Oil Hoses and Steam Hoses excluding Agricultural Hoses (Water delivery and Suction Hoses and Garden hoses)—2 lakh metres—(SE)

Shri Kuldeep Singal, H-2/2, Model Town, Delhi—(Sonepat-Haryana)—Fan & V-Belts—10 lakh nos. Conveyor & Transmission Belts—3,600 tonnes—(NU)

Ceramics

M/s Carborundum Universal, 11/12, North Beach Road, Madras—(Madras-Tamil Nadu)—Super Refractories including Castables—3,262 tonnes—(SE)

Letters of Intent

Metallurgical Industries (Ferrous)

Shri G. B. Gupta, 101, Steen Chambers, Broach Street, Bombay—(Aurangabad-Maharashtra)—Welded Wire Mesh—15,000 tonnes—(NU)

M/s Sakthi Pipes Ltd; Plot No. 6, Poes Garden, Madras—(Chingleput-Tamilnadu)—Mild Steel Ingots/Billets—50,000 tonnes—(NA)

Metallurgical Industries (Non-Ferrous)

Shri S. J. Vyas, C/o Sukhdev V. Vyas, Sorabji Compound, Wadaj, Ahmedabad—(Panchmahal-Gujarat)—Nickel Silver Strips—200 tonnes—(NU)

Electrical Equipments

M/s Keltron Crystals Ltd; P.B. No. 37, KR-31/20, Mill Road, Cannanore—(Cannanore—Kerala)—Piezo-Electric Quartz Crystals—2.12 mill. nos.—(SE)

M/s Transformers & Electricals Kerala Ltd; Angamally South, Ernakulam—(Alwaye-Ernakulam, Kerala)—Gas Circuit Breakers (of 132 KV to 400 KV)—100 nos.—(NA)

M/s Larsen & Toubro Ltd; L & T House, Ballard Estate, Bombay—(Maharashtra)—Flame Proof Electrical Equipment for mines & other hazardous locations, i.e. Circuit Breakers, Gate End Boxes, etc.—1,500 nos. (NA)

Shri Kartikeya V. Sarabhai, Post Box No. 28, Ahmedabad—Ahmedabad-Gujarat)—Alpha Numeric Display Terminals—100 nos. Floppy Disk Drives-50 nos. Data Entry System (Control Part only)—50 nos.—(NU)

M/s Metal Lamp Caps (India) Ltd; 2-Murphy Road, Ulsoor, Bangalore—(Bangalore-Karnataka)—Lead-in-Wire—400 mill. pieces—(SE)

Transportation

M/s Majestic Gears Limited, C-48-51, Focal Point, Dhandari Kalan, Ludhiana—(Ludhiana-Punjab)—Mopeds—40,000 nos—(NA)

Shri Mahendra Lallobhai Parmar, 5-Apurva, 662, Sorab Palamkota Road, Bombay.(Gujarat Vivekanand Cycles Ltd)—

(Surendranagar, Gujarat)—Complete Bicycles-3-lakh nos. p.a. (NU)

Industrial Machinery

M/s Shaw Wallace & Co. Ltd, 4-Bankshall Street, Calcutta—(Chingelput—Tamil Nadu)—Grain Driers—100 nos. Grain Cleaners—400 nos.—(SE)

Shri T. Maneklal Mfg. Co. Ltd; Vaswani Mansions, Dinshaw Vachha Road, Bombay—(Ahmedabad-Gujarat)—Cropping & Shearing Machine—6 nos. Peerless Shearing Machines & Peerless Shearing Lines—6 nos.—(NA)

M/s Bihar State Industrial Development Corpn, Bandar Bagicha, Patna (Bihar)—Ball Bearings; Taper Roller Bearings and Cylindrical Roller Bearings—2 mill. nos.—(NU)

Shri V. C. Chandiok, 41-L Connaught Circus, New Delhi—(Maharashtra)— 1. Land & Marine Well Heads (X-Mas Trees)—600 sets. 2. Blow-Out Preventers-Annulkar & Ram Type—750 sets. 3. API-Valves-High Pressure—2,300 Assemblies. 4. Flanges & Miscellaneous Oil Tools—4,600 Assemblies. 5. Hammer Unions & Swivel Joints—1,80,000 Assemblies. 6. Hangers & Connectors—320 Assemblies—(NU)

Shri Mahendar Kumar Gupta, H. No. 12-2-715, Berbun, Langer House, Hyderabad. (M/s Bhagyanagar Engg. & Fabricating Co) Proposed: —(Hyderabad-Andhra Pradesh)—Complete range of Roller Flour Mills Machinery namely Roller Mill, Plan Shifter, Purifier, Complete Cleaning Section, Transporting and Transmission Section—600 tonnes—(NU)

Shri Jethalal Kanjibhai Chudasama, C/o M/s National Engineering Works, Nirmalnagar, Bhavnagar—(Bhavnagar—Gujarat) 1. Pin Strips—5 lakhs pcs. (of 5 inches to 18 inches long); 2. Flat Card Chains and Link Belt Card Chains—1,000 sets—(NA)

Machine Tools

M/s Sanderson (Engg.) Pvt. Ltd; 136, Mowbrays Road, Madras—(North Arcot, Tamil Nadu)—Smaller Unit Heads for Machine Tool applications and special purpose machines—100 nos. p.a.—(NU)

M/s Westerwork Engineers Pvt. Ltd; 5-D, Vulcan Insurance Building, Veer Nariman Road, Churchgate, Bombay—(Maharashtra)—Industrial Furnaces—Rs. 3 crores—(SE)

Industrial Instruments

Shri Kantibhai Kashibhai Patel, 34, Church Road, Shanti Nagar, Bangalore—(Bangalore-Karnataka)—Watch Jewels—60,00,000 nos.—(NU)

Chemicals (other than Fertilizers)

M/s Hindustan Organic Chemicals Ltd; P.O. Rasayani, Kolaba, Maharashtra—(Kolaba-Maharashtra)—Hydrogen Gas—1,200 tonnes for captive consumption—(SE)

M/s Industrial Promotion & Investment Corpn of Orissa Ltd; 3-A, Satyanagar, Bhubaneswar-7—(Bolangir, Orissa)—Acetic Acid—3,300 tonnes—(NU)

M/s Kondivita Pvt. Ltd; Kondivita Road, Opp. Andheri-Kurla Road, Andheri (East), Bombay—(Maharashtra)—Synthetic Rubber Based Adhesives—1,20,000 Litres—(SE)

M/s U.P. State Industrial Dev. Corpn. Ltd; 117/130, Sarvodaya Nagar, Kanpur—(Uttar Pradesh)—Acetone—6,000 tonnes—(NU)

Shri S. Rm. Pl. Subramanian, 8-College Lane, Madras—(North Arcot, Tamil Nadu)—Synthetic Resins—1,000 tonnes—(NU)

Shri Vijay Kumar Kanoria, 503, Abhoy Steel House, 22-Baroda Street, Bombay—(Kolaba—Maharashtra)—Ethyl Alcohol—200 tonnes. Acetyle Acetone—100 tonnes—(NU)

M/s Industrial Oxygen Co. Pvt Ltd; Majithia Industrial Estate, Wadala-Barla Road, Deonar, Sunderbaug, Bombay—(Thana-Maharashtra)—Oxygen Gas—1 mcm.—(SE)

Shri A. R. Ghorpade, 1439, Kalmath Road, Belgaum—(Hubli-Karnataka)—Nitrogen Oxide Gas—100 Mill. Litres—(NU)

M/s Haichem Pvt. Limited, B-40, Sanatnagar, Industrial Area Estate, Hyderabad—(Khammam Andhra—Pradesh)—Binary Explosives—5,000 tonnes—(NA)

Shri Bobba Venkatadri, C/o. Shri S. Ramakrishna, Asiatic Traders (Registered), Governerpet, Vijayawada-2 (Backward District, Andhra Pradesh)—1. Fenitrothion—300 tonnes. 2. Formothion (and formulation thereof)—300 tonnes (NU)

M/s Gujarat Alkalies & Chemicals Ltd; Hari Kripa, Alkapuri, Baroda—(Baroda-Gujarat)—1. Caustic Soda—70,425 tonnes, 2. Liquid Chlorine—64,000 tonnes; 3. Hydrochloric Acid—29,000 tonnes—(SE)

M/s Rajasthan State Industrial & Mineral Development Corporation Ltd;100-Jawaharlal Nehru Marg, Jaipur—(Rajasthan)—Elemental Phosphorus—2,500 tonnes—(NU)

M/s Solar Chemicals, Co-operative Industrial Estate, Post Box 30, Chandrapur, Chandrapur—(Chandrapur—Maharashtra)—Sulphuric Acid—16,500 tonnes—(SE)

Dye Stuffs

M/s J. N. Kanth & Co, Tardeo Airconditioning Market Bldg; Office No. 26, 5th Floor, Tardeo Main Road, Bombay—(Gujarat)—Disperse Dyes—360 tonnes—(NU)

M/s Rathi Dye-Chem Pvt. Ltd; 27-Shankarshet Road, Poona—(Colaba-Maharashtra)—Alkali (Reflex) Blue Pigment—120 tonnes—(NU)

M/s Amar Dye-Chem Ltd; Rang Udyan, Sitladevi Temple Road, Mahim, Bombay—(Maharashtra)—Optical Whitening Agents—100 tonnes—(SE)

M/s Colour-Chem Limited, Ravindra Annexe, Dinshaw Wachha Road, 194, Churchgate Reclamation, Bombay—(Maha-

rashtra)—Speciality Dyestuffs for Leather Industry—250 tonnes—(NA)

M/s Atic Industries Ltd, Post Atul, Bulsar—(Bulsar, Gujarat)—Reactive Dyes—1100 tonnes—(SE)

Drugs & Pharmaceuticals

M/s Kerala State Drugs & Pharmaceuticals Limited, P.B. No. 30, Kalavoor, Alleppey—(Alleppey—Kerala)—Vitamin' A'—30 MMU—(NU)

M/s Themis Pharmaceuticals, (Prop.) Chemosyn Pvt. Ltd; 38, Suren Road, Andheri (E), Bombay—(Gujarat)—Erythromycin (Basic Drug)—12 tonnes—(SE)

M/s Ranbaxy Laboratories Ltd; Okhla, New Delhi—(Ropar-Punjab)—Nitrazepam—2 tonnes—(NA)

M/s Hindustan Antibiotics Ltd; Pimpri, Poona—(Poona, Maharashtra)—Gentamycin Sulphate—1.000 kgs—(NA)

Textiles

M/s Delhi Cloth & General Mills Co. Ltd; Bara Hindu Rao; Delhi—(Delhi)—Cotton Waste Yarn—1,800 Spindles—(SE)

M/s Bharat Carpets Ltd; 28-B; Connaught Place, New Delhi—(Gurgaon—Haryana)—Cotton Tufted Goods—3,60,000 sq. metres—(SE)

M/s Reshamwala Rayons (Surat)—Ltd; Vasta Devdi Road, Surat—(Surat-Gujarat)—Processing of Fabrics made of Cotton, Art Silk and Synthetic Fibres—50,00,000 metres—(SE)

M/s Angora Spinners (Pvt) Ltd., G. T. Bye-Pass Road, Ludhiana—(Ludhiana-Punjab)—Angora Yarn—80,000 kgs—(SE)

M/s Manserve Agencies & Services Pvt Ltd; 1006, Akash Deep, 26-A, Barakhamba Road, New Delhi—(Hoshiarpur-Punjab)—Synthetic Yarn Knitted Fabrics—4 Warp Knitting Machines & 1 Warper—(NU)

Paper & Pulp including Paper Products

M/s Vyas & Vyas Pvt Ltd; 1-C, Nanabhai Lane, Fort, Bombay-1—(Madhya Pradesh)—(1) Capacitor Paper; (2) Condenser Paper (3) Transformer Coil Winding Paper & (4) Cable Paper—1,000 tonnes—(NU)

Shri Watti Thammayya, Dr. V. Raghavarao's House, Narasimharao Peta, Eluru, West Godavari—(Khammam-Andhra Pradesh)—Wrapping & Packing/Writing and Printing Paper—8,000 tonnes—(NU)

Food Processing Industries

M/s Cadbury-Fry (India) Ltd, 19-Bhulabhai Desai Road, Bombay—(Pune—Maharashtra)—Malt Extract—2,500 tonnes—(NA)

Leather, Leather Goods & Pickers

M/s J. & K. State Industrial Dev. Corpn. Ltd; Haft Chinar Srinagar—(Srinagar-Jammu & Kashmir)—Finished Leather (Glace Kid, Nappa, Suede, Glove Leather and Lining)—9 lakh nos.—(NU)

M/s Mysore Chrome Tanning Co Ltd; G.E.F. Post, Mysore Road, Bangalore—(Bangalore-Karnataka)—Finished Leather from Raw Hides—1.50 lakh pcs—(SE)

Shri M. Subhas Chandra Bose, 22 Vithapur Colony, Visakhapatnam—(Andhra Pradesh)—Finished Leather from EI/Wat Blue/Chrome Tanned Goat and Sheep Skins—13.50 lakh pieces—(NU)

Substantial Expansion

Shri S. K. Senjan Chettiar & Sons, 5-Commander-in-Chief Road, Egmore, Modras—(Unnao—Uttar Pradesh)—(A) 1. Chrome Upper Leather; 2. Lining Leather; 3. Garmet Leather & 4. Upholstry Leather. N.A.—5,00,000 nos. (B) Leather Garmets—5,000 nos., (C) Shoe Upper—1,00,000 nos—(SE/NA)

M/s Ranipet Leather Finishing Pvt Ltd; 17-Vepery High Road, Periamet, Madras—(North Arcot-Tamil Nadu)—1. Aniline Upper—2.1 lakh pcs., 2. Garment Leather 2.1 lakh pcs., 3. Lining Leather—1.2 lakh pcs., 4. Diaphragm Leather—0.3 lakh pcs., 5. Glove Leather (From E.I./Wet Blue Chrome Tanned Skins)—0.3 lakh pcs.—(NU)

Cement & Gypsum Products

The Associated Cement Cos Ltd; Cement House, 121, Maharashi Karve Road, Bombay—(Khammam—Andhra Pradesh)—Portland Cement—4 lakh tonnes—(NU)

The Associated Cement Cos. Ltd; Cement House, 121, Maharashi Karve Road, Bombay—(Gulbarga-Karnataka)—Portland Cement—9 lakh tonnes—(SE)

Change in the Names of Owners or Undertakings

(Information pertains to particular licences only)

From Shri T. M. Ram Iyengar, 40-Chamier Road, Madras to M/s Hosur Electro Mecholite Limited, Madras.

From M/s Anchor Pressings Ltd; Aligarh to M/s Anchor Pressing Pvt. Ltd; Aligarh.

From M/s Metropolitan Instruments Ltd; Trivandrum to M/s Keltron Counters Ltd; Trivandrum.

From M/s Tamil Nadu Industrial Development Corpn Ltd; Madras to M/s Tamil Nadu Cements Corpn Ltd; Ariyalur.

From M/s L&T Drilling Equipment Limited, Bombay to M/s Larsen & Toubro Limited, Bombay.

From M/s Lotus Industries (P) Ltd; Bombay. to M/s Lotus Knitting Industries Pvt. Ltd; Bombay.

From M/s U.P. State Sugar Corporation Ltd; Lucknow to M/s Chhata Sugar Company Limited, Mathura.

From Shri Chandra K. Jain, Muzaffarnagar to M/s U.P. Fasteners Limited, Muzaffarnagar.

From Ramsarup Engg. Industries (P) Ltd; Calcutta—to M/s Ramsarup Industrial Corpn; Calcutta.

From M/s Escorts Limited, Faridabad to M/s C.G.R. India Limited, Bombay.

From M/s Steel Tubes of India Pvt. Ltd; Indore to M/s Steel Tubes of India Limited, Dewas.

M/s Pure Drinks (Calcutta) Pvt. Ltd; New Delhi to M/s Pure Drinks (Calcutta) Ltd; New Delhi.

Licences Revoked, Surrendered, Lapsed or Cancelled

(Information pertains to particular licences only)

M/s Alembic Chemical Works Company Limited, Baroda—Dipthoria Tech. etc.—(Cancelled)

M/s Sanghi Motors Bombay Limited,—(Bombay)—Beer—(Surrendered).

M/s Logic System (P) Ltd; Ghaziabad—Electronic Desk Calculators—(Revoked)

M/s Bhavnagar Potteries Limited, Bhavnagar—Crockery—(Cancelled)

M/s Indequip Engg. Ltd, Ahmedabad—'Iseki' (Model K48C) (6.5 HP) Power Tillers.

M/s Modu Timblo, Post Box No. 31, Goa-3—Pig Iron—(Revoked)

Shri Vijendra Kumar, Ballygunge, Calcutta—Pulp & Packing & Wrapping Paper—(Revoked)

M/s Capital Lighting & Electronics Products Ltd; 15/1, Asaf Ali Road, New Delhi—GLS Lamps—(Revoked)

Shri G. Visweswar, Hyderabad—Pulp, Wrapping & Packing Paper—(Revoked)

M/s Gillanders Arbuthnot & Co Ltd; Calcutta— Pulp, Wrapping & Printing & Kraft Paper—(Revoked)

Shri R. L. Goyal, Transport House, Madras—Pulp, Packing & Wrapping Paper—(Revoked)

M/s Precimax Machine Tools Corpn., Bombay—Universal Machine Tools, Bench Lathes & Variable Speed Drive Units—(Surrendered)

Letters of Intent Rejected, Lapsed or Cancelled

(Information pertains to particular letters of intent only)

M/s Lakhanpal Pvt. Ltd; 4/24, Asaf Ali Road, New Delhi—Electronic Desk Calculators—(Revoked)

Shri R. P. Mody, Alipore, Calcutta—Silicones—(Lapsed)

M/s Indian Engg. & Commercial Corporation Pvt. Ltd; New Delhi—Maize Products—(Cancelled)

Shri G. K. Saraf, Shakti Nagar, Delhi—(Maize Products—(Lapsed)

M/s Murphy India Ltd; Naupada, Thana—Cassette Tape Recorder—(Cancelled)

M/s Nath Brothers, 101, Shivaji Road, Meerut—Dehydrated Fruits & Vegetables—(Lapsed)

Shri M. L. Bhagat, 24/B, New Road, Calcutta—Tartaric Acid—(Lapsed)

M/s U. P. State Industrial Corporation Ltd; Kanpur—M. S. Billets—(Revoked)

Shri N. Chandra, C-50, Defence Colony, New Delhi—Float Glass—(Cancelled)

M/s Hitkari Potteries Pvt. Ltd; New Delhi—Porcelain Hotelware Crockery—(Cancelled)

M/s Hindustan Machine Tools Ltd; Bangalore—Electro Discharge Machines & Gear Testing Machines—(Cancelled)

Shri A. D. Patel, Near Naranpura Char Rasta, Ahmedabad—Grinding Wheels—(Lapsed)

M/s Colrige Limited, New Delhi—Aluminium Collapsible Tubes—(Cancelled)

Shri Pirthi Raj Surana, C/o M/s Assam Tin Mfg. Co. Pvt. Ltd; Gauhati—Industrial Gases—(Lapsed)

Shri Pritam Khurana, E-9/1, Vasant Vihar, New Delhi—Not indicated—(Lapsed)

M/s Rohit Pulp & Paper Mills Ltd; Bombay—Paper Machinry—(Lapsed)

M/s Shriram Bearings Ltd; Bara Hindu Rao, Delhi—Cylindrical & Tapered Roller Bearings—(Cancelled)

Shri A. K. Khandelwal, Nagpur—Not Indicated—(Lapsed)

Shri Girdhari Lal Sharma, 29-Sulem Sarai, Allahabad—Corrugating Media & Liner—(Lapsed)

M/s Madhya Bharat Woollen Mills (P) Ltd; New Delhi—Shoddy Yarn—(Closed)

M/s Mahindra & Mahindra Limited, New Delhi—Patient Monitoring System (Cancelled)

Shri C. M. Arya, 8/84, Punjabi Bagh, New Delhi—Sodium Chlorate—(Lapsed)

M/s Electronic Cable Industries, Ludhiana—Special Types of Electronic Cables—(Lapsed)

M/s Ghaziabad Engg. Co. Pvt. Ltd; New Delhi—Permanent Magnet DC Motors—(Lapsed)

M/s Rajasthan State Industrial & Mineral Dev. Corpn. Ltd; Jaipur—Soda Ash/Ammonium Chloride—(Surrendered)

Shri K. Ramakrishna, Post: Kodur, Guddaph—White Printing Paper, Packing & Wrapping Paper—(Dormant)

Shri Raman Kumar Aggarwal, Calcutta—Sulphuric Acid and Oleum—(Cancelled)

M/s Development Corpn of Vidarbha Limited, Nagpur—Refractories—(Lapsed)

RECORDS AND STATISTICS

Foreign currency (non-resident) accounts scheme 1975

The recent buoyancy in this country's foreign exchange reserves has been due to a number of factors, one of them being the scheme of foreign currency (non-resident) accounts. In the following analysis prepared in the Data Processing Division of the Department of Statistics of the Reserve Bank of India and published in the June 1976 Bulletin, it is shown that the contribution of the above-mentioned scheme between November 1975 and February 1976 was of the order of Rs 6.05 crores out of which 86.3 per cent was in US dollars. Full details in this respect are given below.

THE SCHEME of Foreign Currency (Non-resident) Accounts (FCNRA) has been formulated by the government of India with effect from November 1975, with a view to encouraging the flow of inward remittances through banking channels from non-resident Indians and persons of Indian origin. Such persons are permitted to open and maintain foreign currency (non-resident) term deposit accounts in designated foreign currencies with authorised dealers in India by remittance of their savings from abroad or by conversion of existing non-resident (external) accounts maintained in rupees. The designated foreign currencies for the time being are US dollars and pound sterling and the period of deposit ranges from a minimum of 91 days to a maximum of 61 months. Balances in the account including interest are repatriable in the currency of deposit free from Indian income tax. Exchange risk, if any, to non-resident account holders is thus eliminated.

On the basis of the returns received in the Bank up to the end of May 1976, it is observed that the number of FCNR accounts opened up to the end of February 1976 aggregated to 1678, of which 1218 were dollar accounts and the remaining 460 were in pound sterling. The deposits mobilised amounted to Rs 6.05 crores, 86.3 per cent of which was in US dollars and the remaining 13.7 per cent in pound sterling. Monthwise mobilisation of deposits in the two currencies during the first four months of the operation of the scheme is shown in Table I.

It may be seen that in the first month of its inception, the amount of deposits was of the order of Rs 65 lakhs which progressively increased over the subsequent months except for February 1976. As between the two currencies, the growth in dollar deposits is more spectacular. While it is too early to ascribe any specific reason for this higher growth in dollar deposits, the declining trend in the value of pound sterling vis-a-vis Indian rupee could be one of the reasons for lower growth in the pound sterling deposits (Table I).

The FCNRA scheme provides for opening of accounts either by fresh remittances or by conversion of existing accounts or by renewals. It is observed that practically the entire amount received so far as deposits is in the form of fresh remittances. All the same, an increasing trend in the conversion of deposits from the existing accounts to those under FCNRA scheme was noticed over the period of 4 months (Table II).

Currencywise, fresh remittances in pound sterling amounted to £4.2 lakhs or 90.6

TABLE II

FCNR Accounts Opened by Conversion of Existing Accounts

Month	No. of accounts	Value in rupees (000's)
November 1975	6	33
December 1975	6	688
January 1976	43	832
February 1976	32	1126
Total	127	2679

TABLE I

Deposits Classified According to Month of Deposit and Currency

Month of deposit	Pound sterling		US dollars		Value* (in lakhs of rupees)
	No. of accounts	Amount in lakhs	No. of accounts	Amount in lakhs	
November 1975	45	0.89	71	5.50	65.33
December 1975	84	0.96	225	11.97	124.62
January 1976	176	1.37	478	22.57	226.87
February 1976	155	1.36	444	18.24	187.89
Total	460	4.58	1218	58.28	604.71
Value* in Rs (in lakhs)		83.04		521.67	604.71

*Evaluated at the average rate for the month of February 1976.

per cent and remaining 9.4 per cent were transfers from existing accounts. The proportion of fresh remittances was considerably high at 96.4 per cent for US dollars while transfers from existing accounts constituted less than 4 per cent. (Table III).

Period of maturity of the term deposits under the scheme has been divided into six groups ranging between 91 days and 61 months. Most of the depositors showed preference for long term investment. More than half of the total amount of deposits collected under the scheme up to February 1976 was for a period of 61 months. Deposits for a period of 1-3 years were the next in size and accounted for a little more than a fourth of the total deposits. Short-term deposits (those for a period of less than one year) were less than 10 per cent of the total (Table IV).

The State Bank of India together with its subsidiaries accounted for a little less than one-sixth of deposits up to February 1976. Foreign banks reported similar collection and the nationalised banks accounted for about three-fifths of the aggregate deposits. Other banks accounted for 11 per cent of the total deposits, mostly in US dollars (Table V).

TABLE III

Deposits Classified According to Source of Fund

(Amount in 000's)

Source of fund	Pound sterling			US dollars		
	No. of accounts	Amount	Per cent	No. of accounts	Amount	Per cent
Fresh remittances	432	415	90.6	1116	5616	96.4
Transfer from existing accounts	28	43	9.4	99	213	3.6
Total (including renewals)	460	458	100.0	1218	5828	100.0

TABLE IV

Deposits According to Period of Maturity

(Amount in 000's)

Period of maturity of deposit	Pound sterling		US dollars		Total in rupees		
	No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount	Per cent
From 91 days to less than 6 months	25	13	88	479	113	4512	7.5
From 6 months to less than 9 months	14	10	50	62	64	726	1.2
From 9 months to less than 1 year	7	8	20	29	27	405	0.7
From 1 year to less than 3 years	161	144	385	1485	546	15901	26.3
From 3 years to 5 years	63	53	176	796	239	8068	13.3
61 months	190	230	499	2981	689	30858	51.0
Total	460	458	1218	5828	1678	60471	100.0

TABLE V

Bank-Groupwise Collection of FCNRA Deposits

(Amount in 000's)

Bank group	Pound sterling			US dollars			Rupee value of deposits		
	No. of accounts	Amount	Per cent to total	No. of accounts	Amount	Per cent to total	No. of accounts	Amount	Per cent to total
SBI and its subsidiaries	144	106	23.1	288	791	13.6	432	9003	14.9
Nationalised banks	220	243	53.1	600	3538	60.7	820	36070	59.6
Foreign banks	78	92	20.1	227	778	13.3	305	8631	14.3
Other banks	18	17	3.7	103	722	12.4	121	6768	11.2
Total	460	458	100.0	1218	5828	100.0	1678	60471	100.0

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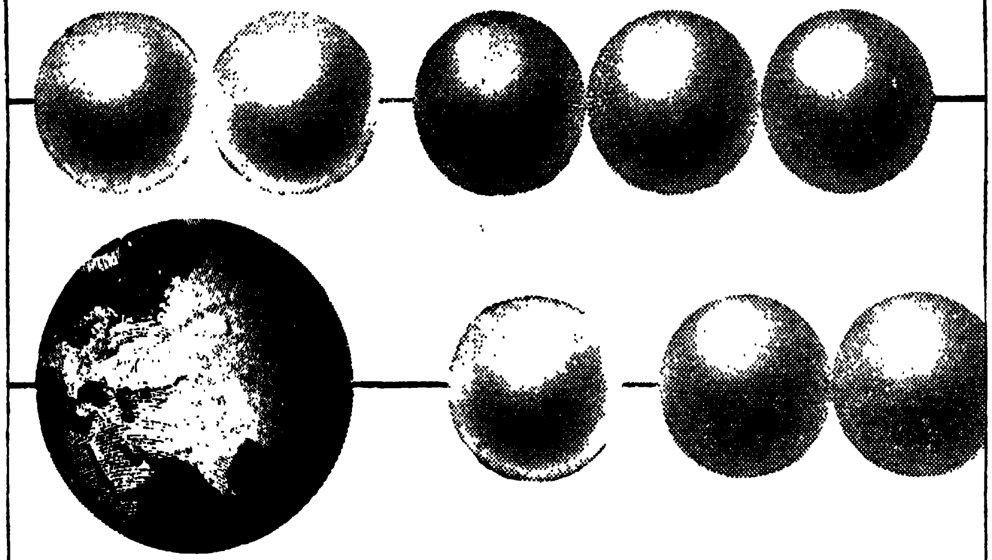

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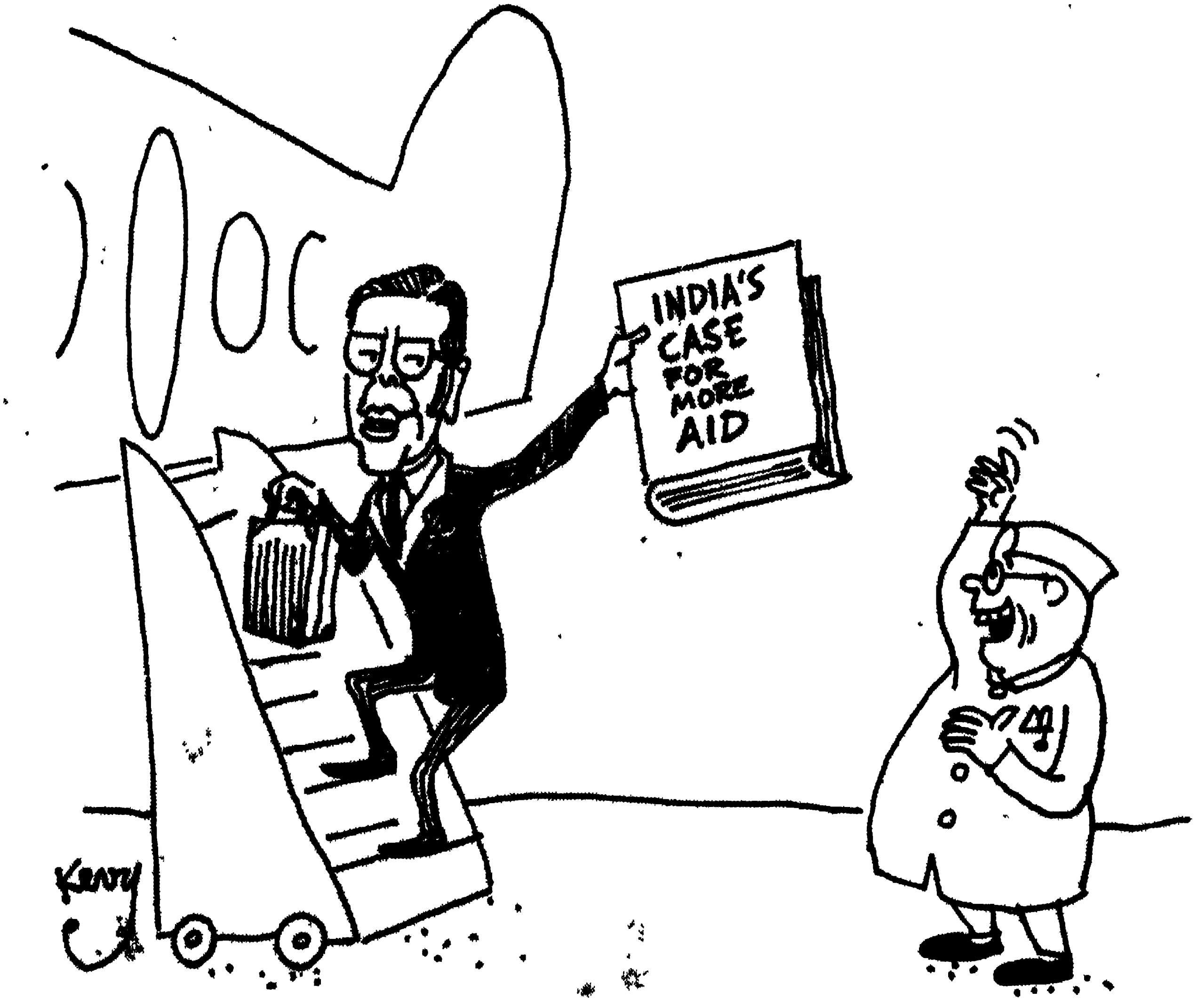
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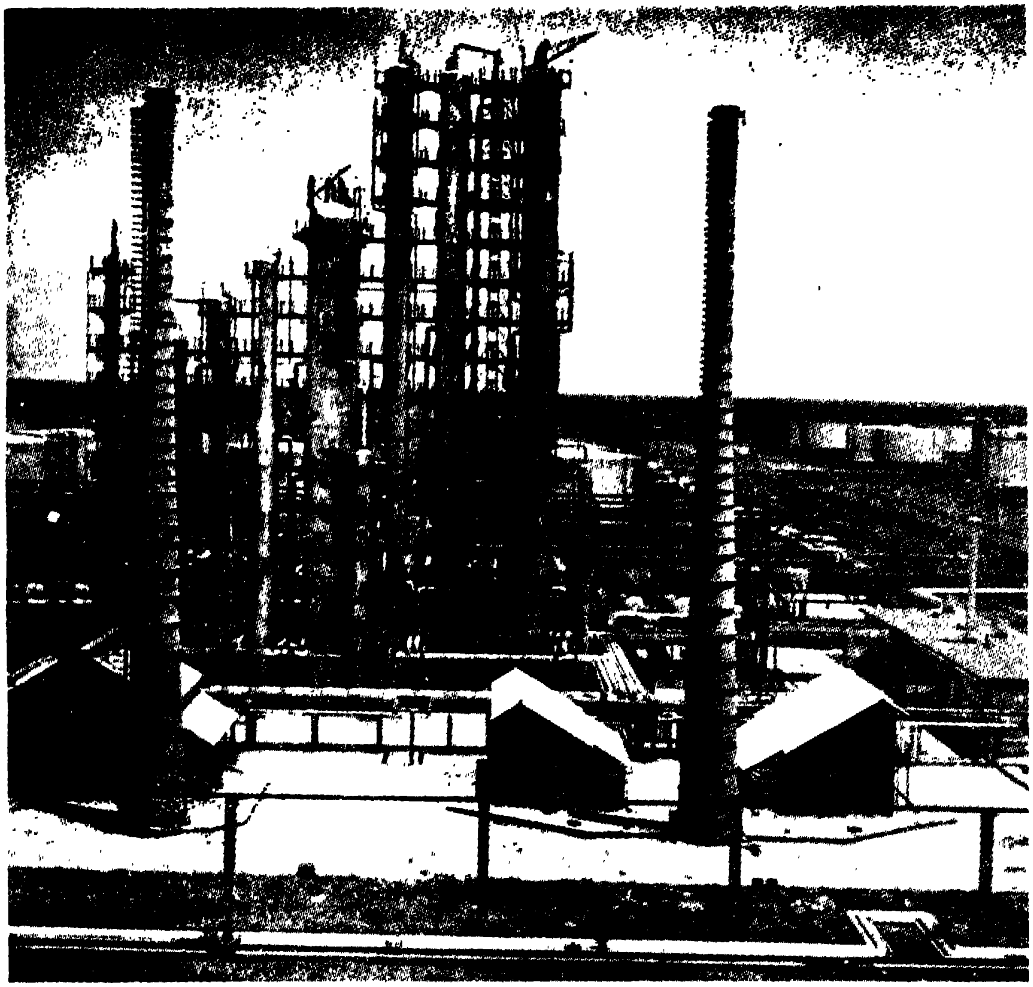

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VOL. 67 NO. 21 NOV. 19, 1976
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Leading Articles

Too Much Good Wine 979
Tomorrow's Calcutta 980
Dyestuffs Demand Attention 981

Capital's Corridors 983

Point of View

Towards Understanding Gandhi —Dr J.D. Sethi 987
Reserve Bank's Negative Move —Sagittarius 992

Window on the World

For a New World Economic Order —Roger Polgar 994

Interview

Developed Countries Should Encourage LDC Exports 997

Feature on State Financial Corporations

Challenges Facing the SFCs S.P. Chopra 999
Assisting the Small Man —Interview with Kaushal Kumar 1000
Improving Working of State Financial Corporations—D.K. Kotia 1002
Maharashtra State Financial Corporation Helps Backward Areas 1007
J&K State Financial Corporation Makes Progress —K.M. Kishinchandani 1008
Karnataka State Financial Corporation Takes Strides— M.K. Ramachandran 1009

Trade Winds
Birla's Call for Increased Production; Fire Prevention Equipment; Price Support for Oilseeds; Safety in Coal Mines; Exports Look Up; PEC Exports; India-UAE Satellite Link; Indian Airlines; Power Generation; Offshore Oil Production; Kesoram Cement; RITES Performance; Export Duty on Groundnut; Names in the News 1012-1015

Company Affairs
Glaxo; Dunlop India; Ashok Leyland; Toshiba Anand Lamps; Blundell Eomite Paints; Syndicate Bank; New Issues; Capital and Bonus Issues; New Registrations; Dividends 1016-1019

Records and Statistics

Convention on Productivity 1020
Employment Strategies to Develop Asia 1021

Too much good wine

A NUMBER of visitors to this country during the past few days have said so many good things about the state of our economy that the average newspaper reader is getting bored with them. First there was Mr Robert McNamara, President of the World Bank, who at the end of his six-day tour of this country complimented the government of India for its priorities in economic development. He welcomed the importance given to raising agricultural output, increasing the rate of industrial growth, stimulating exports and reducing the pace of increase in population. Like a banker who knows that the funds made available by him are being fruitfully utilised, he held out promises of further assistance when he said : "We in the bank are anxious to continue our assistance to India in every sphere, especially technical and financial assistance". Inspired by such testimony, our cartoonist this week could not help rechristening him as McHamara, meaning *our* McNamara. (Hamara in Hindi means *our*).

Second, the British industrial delegation led by Sir Ralph Bateman was impressed with the progress in the industrial sector especially in respect of technology, management and efficiency. Sir Ralph said at a press conference in the capital that there were possibilities of cooperation between the industrialists of the two countries both in India and in third countries and that on his return to Britain, he would ask the businessmen to have a look at the Indian market which had undergone a tremendous change in the past quarter century. The British exporters could avail of the liberal import policy of the government of India to reduce the trade gap which had been unfavourable to Britain. Regarding the Foreign Exchange Regulation Act (FERA), Sir Ralph said that its provisions were not as difficult as they appeared despite the compulsion on foreign firms to dilute the equity capital. Sir Ralph was of the view that the delegation's trip to this country had been "very worthwhile", and that there were encouraging prospects of implementing joint projects in west Asia.

Third, the state of the Indian economy and the possibilities of Indo-US collaboration were the subjects to discussion at the executive committees of the Indo-US Joint Business Council in the capital. It was conceded by both sides that the government of India had instituted a number of changes in order to improve the climate for outside investment. They were however at a loss as to why the American companies had not availed of the tremendous investment opportunities which the Indian economy offered. The Council felt that perhaps the incentives offered by this country had not been sufficiently publicised and that there was need for an indepth study in this regard. Like the British delegation, the delegates to the council agreed that construction and engineering firms from this country could join hands with American companies to execute projects in the third countries, particularly in west Asia and south-east Asia.

All these friends from abroad do a lot of good to our ego when they say nice things about the economy of this country but too much good wine can bring about deleterious effects. Without losing our sense of perspective, we will have to make an earnest effort to hold the price-line which took an upward course in recent weeks, activate those sectors of industry which have suffered from high unutilised capacity, initiate measures to stop rising sickness in industrial units, take up such projects as would keep down the number of the unemployed and the underemployed and devise measures which would reduce the number of man-days lost through strikes and lock-outs. And this is the time for stepping up investment in industry with due regard to the adjustments needed due to low profitability, slackness in demand for consumer products and high cost of inputs. We may ignore attending to these problems at our own risk. Good certificates from foreign dignitaries may make us cheerful for some time but they should not intoxicate us.

Tomorrow's Calcutta

THE PROSPECTS for the betterment of Calcutta seem to have brightened up after Mr McNamara's recent visit to the city. The World Bank president spent two days in Calcutta when he inspected the various improvement schemes and held discussions with the government officials and industrialists on the problems confronting the country's largest city. Since he took over his present assignment, Mr McNamara has been taking a deep and lively interest in urban development and he has been eloquently emphasising the importance and urgency of tackling the problems connected with urban poverty. At Calcutta he declared that "the solutions to the world's urban poverty will have to be devised right here but in an integrated effort, involving the surrounding agricultural areas". Mr McNamara's stress on the improvement of agriculture was, of course, appropriate. He visited not only the slum areas of Calcutta but also some fields in Burdwan and acquainted himself with the nature of the difficulties facing the people in the rural areas. Mr McNamara said that Calcutta could look forward to "a bright future" and that the World Bank would benefit from the experiments being carried out in this city.

certain problems

The government of West Bengal drew Mr McNamara's attention to certain problems in utilising the World Bank's assistance. It was stated that out of the 114 projects taken up by the Calcutta Metropolitan Development Authority (CMDA), the Bank picked up in the mid-stream only 44 and that too in isolation. Mr McNamara was requested to look at the development schemes in an integrated manner. The CMDA has so far spent Rs 186 crores of which the Bank's assistance is about Rs 29 crores. An expenditure of Rs 200 crores is being planned for the next four years. Mr McNamara may be expected to consider sympathetically the CMDA's case for more assistance and also for giving it in a manner which will facilitate its effective utilisation.

Some of the World Bank president's comments and observations during his visit to Calcutta are of much significance for the rapid development of the city. He observed that the CMDA should act more as a catalyst in wider social and economic development than just as an agency for physical development. He said that it was not enough if the CMDA and the other authorities concerned raised the quality of life by improving sanitation. There was a real need to generate more employment for the poor. He suggested that the small traders and entrepreneurs should be helped and encouraged to increase their production. At present, about 60 per cent of the families earn less than Rs 300 per month and 60 per cent are employed in small unorganised trades. Mr McNamara told the industrialists that their investment should aim at increasing their exports. "Your exports must pay for your imports'" he added.

It is to be hoped that the drive for the betterment of Calcutta will derive a new impetus as a result of the visit by the dynamic president of the World Bank. If the ministers and other top officers show the same enthusiasm and sympathy as Mr McNamara, the city's development will certainly get a faster momentum. How many of them, for example, have cared to visit the slums and see for themselves the kind of life led by the poor? (The *Statesman* reported that Mr McNamara even entered a house in a slum area to inspect its latrine). How many of them have shown such lively interest in the problems of farmers? He not only closely questioned the small farmers and share-croppers of Burdwan about their techniques of cultivation but also attended

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Eastern Economist 30 Years Ago

NOV. 22, 1946

The government of India has announced that it has ratified the Convention of International Civil Aviation which was signed at Chicago on December 7, 1944. Ratification of the Convention by member States of PICAO is essential for setting up the permanent International Civil Aviation Organization. The convention provides for the first two non-controversial freedoms as between signatory States, viz, the right to fly across the territory of a contracting State and the right to land for non-traffic purposes. The Convention also provides for the incorporation of the principles governing international air navigation such as measures to facilitate air navigation, conditions to be fulfilled by aircraft, application of national laws and so on. The Convention is accompanied by a series of Annexes which covers the following technical subjects : airway system, communication procedure and systems, rules of the air, air traffic control practices, standards governing the licensing of operating and mechanical personnel, log book requirements, airworthiness requirements for civil aircraft engaging in international air transport, aircraft registration and identification marks, meteorological protection of international aeronautics and aeronautical maps and charts, customs procedures and manifests, and search and rescue and investigation of accidents.

This convention is virtually a revision of the International Convention for the Regulation of Aerial navigation concluded at Paris in 1919. India who in 1919 had not the faintest notion of participating in international air transport signed the Paris Convention as a satellite of Great Britain. But today our ratification of the Convention carries a definite meaning and weight in view of our declared intention to start our own international air services.

a training class for peasants and village workers.

Though Calcutta may get all the money it needs from the World Bank and the terms are likely to be more flexible, the state government and the other authorities concerned should deal with the problems of the city with greater urgency and seriousness. There is as yet no effective coordination among the various agencies that are engaged in the improvement of Calcutta. There is also no proper maintenance of the valuable assets that have been created by the CMDA. As a result, resources are dissipated and the people are denied the fruits of development. Mr Siddhartha Shankar Ray, the chief minister, has achieved remarkable success in restoring law and order in Calcutta which, at the time he came into power, had virtnally broken down. He should now utilise the improved situation for accelerating the implementation of the various development schemes.

day-to-day problems

The people will judge the work of the government not so much by its prestigious projects as by the manner it is able to tackle their day-to day problems such as those relating to sanitation, water supply, housing, and transport. There is no reason, for instance, why the government and the local authorities cannot keep the city's roads in a reasonably good condition. In September this year, Lt Gen. B.N. Sarkar, chairman of the Calcutta State Transport Corporation, issued a statement in which he said that "August has been a disastrous month for our operation" and he expressed sorrow for "the terrible inconvenience" caused to the public. He said: "During the month, 63 bus chassis and 355 road springs got broken and 5496 tyres were badly cut by stone chips penetrating the wall of the tyre. Some tyres sustained more than seven cuts. Even with three shift operation, the total number of tyres damaged daily far exceeded the limited capacity of our tyre shop". The state government therefore should give serious attention to improve the basic amenities of the people.

The World Bank president was informed that there were 2.8 million unemployed in the metropolitan area, including about one million who lived in Calcutta. He was also given details of the urban and rural employment programmes which were under various stages of implementation. But the state can generate employment opportunities on a massive scale only when the existing industries are able to operate profitably and new industries come up fast, for which there is vast scope. Unfortunately, many major industries including jute, cotton textiles, and engineering continue to be in a bad shape. Mr McNamara met the representatives of these and a few other industries and ascertained the problems confronting them. But was he informed about the involvement of Calcutta's business community in the city's improvement? Is the state government making full use of the talents and resources of businessmen for the betterment of Calcutta?

Dyestuffs demand attention

DYESTUFFS INDUSTRY in our country has vast scope for development and can supply a substantial part of the world's requirements, as leading manufacturing countries of this product such as West Germany, Switzerland, Britain, Japan and the USA, are increasingly suffering from handicaps which have made them either shed certain items of manufacture in this line or go slow on them. Some of the problems that they face are pollution, labour shortage and high wages. With judicious dispersal of this industry and proper preventive measures in the nascent stage itself, our country should be able to avoid the adverse effects of pollution which are now worrying the advanced nations. The question of labour shortage does not arise in our case and the abundance of basic chemicals and intermediates in the country gives us an added advantage.

quality standards

This fact was highlighted by the minister of state for Industries, Mr A.P. Sharma, while addressing the half-yearly meeting of the Dyestuffs Manufacturers' Association in Bombay recently. It should however be stressed that it is incumbent on the industry to adhere to international quality standards to build a reputation abroad which is essential for holding or expanding foreign markets.

Though our country could at one time boast of robing kings and emperors in variegated natural colours, in the manufacture of synthetic dyes we had a lag of nearly a century as compared to Europe. The advent of synthetic colours had altogether eliminated India from the world trade in dyestuffs. It therefore goes to the credit of our entrepreneurs that we have been able to retrieve the position and more or less cover the gap during the last two decades. There has been quick growth in a range of products such as organic pigments and pigment printing emulsion, reactive dyes and naphthols. In other ranges also there has been reasonably satisfactory growth though we could have done better.

starting materials

With the coming into existence of the various steel plants in the country, the availability of starting materials for the manufacture of dyestuffs such as toluene, benzene, naphtholene etc. has become possible. Intermediates are being manufactured by Hindustan Organic Chemicals and the government has permitted large dyestuff units to manufacture their own requirements of intermediates even without the necessity of obtaining a manufacturing licence. In western India there are many units producing a host of chemicals and intermediates which feed the requirements of medium and small-scale dye manufacturers. The establishment of a petrochemicals industry is Gujarat has given impetus to this region for developing this industry on a sound footing.

The advantage of a captive market in textile manufacturing, which is the largest consumer of dyestuffs, gives the industry estimates, upto 20 per cent), but also unnecessary expenditure on storage.

The oil prospects in the country, Mr Jha said — apparently on the basis of some information not yet made public — were much more promising than commonly understood. This could bring down the foreign exchange expenditure on oil imports very substantially in the years to come. He wondered whether in view of the brightened prospects on the oil front, some requirements of energy in such parts of the country to which it was very difficult to move coal could not be met by oil. The rapid improvement on the oil front, he said, could also be availed of for shifting some areas under the cultivation of cotton to the growing of oilseeds which would help in attaining self-sufficiency in edible oils. The clothing requirements, he felt, could be better met by increased use of synthetic fibres.

important point

Another very important point made by Mr Jha was that in the interest of containing the price level, there was need for re-thinking in regard to the attitude towards investments in the manufacture of essential items of consumption. He agreed that the high interest rates on bank deposits had vitiated the climate for investment. He, however, felt that there was no need for bringing down the interest rates lest savings should be affected. Ways and means, he said, could be devised for helping investments in some important wage goods industries. At the moment, the policy was to keep the prices of essential items of consumption low. This hampered investments in wage goods industries and pushed investments into the production of luxury items on the prices of which no controls were feared. This situation, Mr Jha emphasised, needed to be rectified through a "tilt" in policy to make investments in the wage goods industries attractive enough vis-a-vis the current interest rates structure and to make investments in the production of luxury items less profitable. One way suggested by Mr Jha for making investments in the wage goods industries was the introduction of differential rates of corporate taxation on the profits of these industries.

If inflation was contained through augmenting the supplies of wage goods in the economy, Mr Jha pointed out, it would help in maintaining the advantage which we have developed in the recent months in the export market in view of the high inflation rates in many countries abroad. The development programmes in the rural areas, he felt, could expand the sphere of economic activity. These programmes could be tailored to the needs of augmenting the agricultural production potential which would reduce the necessity of maintaining huge stocks of foodgrains.

* *

The possibilities of Indo-British collaboration in industries here as well as for setting up projects in third countries, particularly in west Asia, were explored last two weeks during the visit to this country of the British industrial delegation, headed by Sir Ralph Bateman. The delegation had meetings not only with the Indian business and industry associations but also at the highest level in the government.

Talking to pressmen at the conclusion of the delegation's visit to New Delhi, Sir Ralph observed that the delegation was pleased to find that a "more flexible, more pragmatic" view was being taken at present by the government of India towards foreign investments. He hoped the British industry would be able to cash on the government of India's decision to liberalise imports of capital goods.

Referring to the prospects of British collaboration in setting up industries in India, Sir Ralph stressed the need for the bridging of the communication gap between industrial entrepreneurs in the two countries; many in Britain, he said, still thought that India was what it was 25 years ago. He felt that there was need for British investors coming to India to take a look at the industrial strides made by this country since Independence.

Although personally he did not think that the provisions of the Foreign Exchange Regulation Act (FERA) were as difficult as they appeared to be, yet, he pointed out, many foreign investors perhaps were being deterred from making investments in India because of this act. He conceded the right of the government of India to lay down the rules under which it wanted foreign investments, but, emphasised that the foreign investors also had the right to judge on their own whether the conditions obtainable in India were better or not than those available in the other countries. Some suggestions are believed to have been made by the delegation for the rationalisation of some provisions of FERA with a view to removing the misgivings of foreign investors. These are likely to be considered by the government in the near future.

The representatives of business and industry organisations in the country, who had discussions with the British delegation, stressed that British entrepreneurs could collaborate with them profitably in various fields in view of the lower labour costs here. The experience of British industries as well as their technology could be of great help to Indian industry in the modernisation programmes which were being accorded a high priority.

areas identified

During the discussions with the Federation of Indian Chambers of Commerce and Industry (FICCI), some specific areas were identified in which British know-how could be useful. These included coal-based chemicals, off-shore oil drilling, casting and other engineering products and sophisticated electronics. In the discussions with the Association of Indian Engineering Industry (AIEI), it was pointed out by the Indian manufacturers that there was good scope for collaboration between Britain and India in the modernisation of Indian foundry industry and in such areas as off-shore drilling, telecommunications, space and other technology-intensive sectors, auto ancillaries, thermal power systems, coal washeries, conveyor systems, power packs for rail traction (especially for light services), fibre glass technology and equipment, newer types of cutting/welding technology, diesalinisation plants, high voltage switchgears and machine tools. Similar was the outcome of the delegation's talks with the Associated Chambers of Commerce and Industries.

In several of the above fields, it was pointed out, even export-oriented units could be set up in India with British collaboration. The opinion of the delegation on export obligations for industries, of course, was divided. While some members of the delegation thought that it was no barrier to collaboration, some others expressed the view that it, indeed, was a deterrant.

The discussions concerning India-British collaboration in setting up projects in third countries revealed that the need for such collaboration was being increasingly felt by both the countries. It was agreed that the talks in respect of such collaboration should be started well in advance between the prospective collaborators so that there was enough time to draw up suitable packages of proposals. It was recognised that whereas British collaborators could concentrate on provision of sophisticated equipments for the projects in the third countries, the equipments needing simpler technology and medium consultancy could be procured from India. It was appreciated by the British delegation that the delivery schedules of exports from India were being increasingly adhered to and capable Indian personnel were conveniently available for service back-up.

Another important development that took place during the British delegation's visit to New Delhi was that the Confederation of British Industry (CBI) would identify an appropriate agency in the United Kingdom to establish a close link up with the Association of Indian Engineering Industry and to serve as a focal point for exchange of information on the engineering industry with regard to technical collaboration, joint ventures in third countries as well as for export-import of engineering goods by both. The AIEI and the CBI would work out a machanism for dialogues even before bidding for projects in third countries.

trade imbalance

In the discussions with the economic secretaries of the government, the delegation voiced concern over the current imbalance which Britain had in its trade with India. It was suggested that the liberal terms of credit offered by Britain should be passed on to the Indian private sector so that imports from Britain could be facilitated. The government spokesmen, however, pointed out that apart from the repercussions such a step might have on the other aid-giving countries and on the indigenous industry, the mere transfer of liberal terms would not make Britain's goods competitive. Further, the bulk of Indian exports to the UK, it was stressed, was still composed of such traitional items as tea, coffee, spices and hides and skins. Some of these exports ultimately were meant for the buyers in other countries.

Regarding investments, it was explained to the delegation that they would have to be broadly within the parameters of the government's investment policy, one of the successes of which had been the absence of tension and confrontation characteristic of foreign collaborations in some developing countries.

In respect of joint ventures abroad, the government spokesmen stressed that the government was not interested in mere supply of manpower from India. Collaboration in joint ventures in third countries would be welcome only if it involved supply of consultancy services and machinery also.

* *

The second India Trade Fair, held last month in New York and Los Angeles, in the United States, in the form of buyers-sellers meets, is stated to have proved a spectacular success. Briefing newsmen here last week, Mr A.K. Ray, the executive director of the Trade Development Authority, which organised this fair, revealed that the spot orders booked at the two meets exceeded $32 million (Rs 28 crores) and the inquiries generated were of the order of over $70 million (Rs 62 crores). The first such fair, organised about 10 months earlier, had yielded orders worth Rs 11 crores and inquiries to the order of Rs 16 crores.

Mr Ray observed that on the basis of the fair experience, more concentrated attention on the west coast of the USA could open up immense possibilities for exports of Indian goods. The TDA, he said, had submitted plans to the government to explore this segment of the US market. The future of exports to USA, he further stated, lay in manufactured goods using highly skilled labour and sophisticated machinery.

Spot orders booked as well as most inquiries received at the two meets related to such items as auto ancillaries, bicycle components, castings, electronics an electricals, forgings, hand tools and sma tools, hardware, fasteners, wire rope general engineering products, chemic and allied products (including pha maceuticals), agarbattis, costume jewe lery, furniture and wood products, glas ware, handicrafts, home furnishing pr ducts, leather goods, marine product readymade garments, sports goods, tc plastic and linoleum, etc.

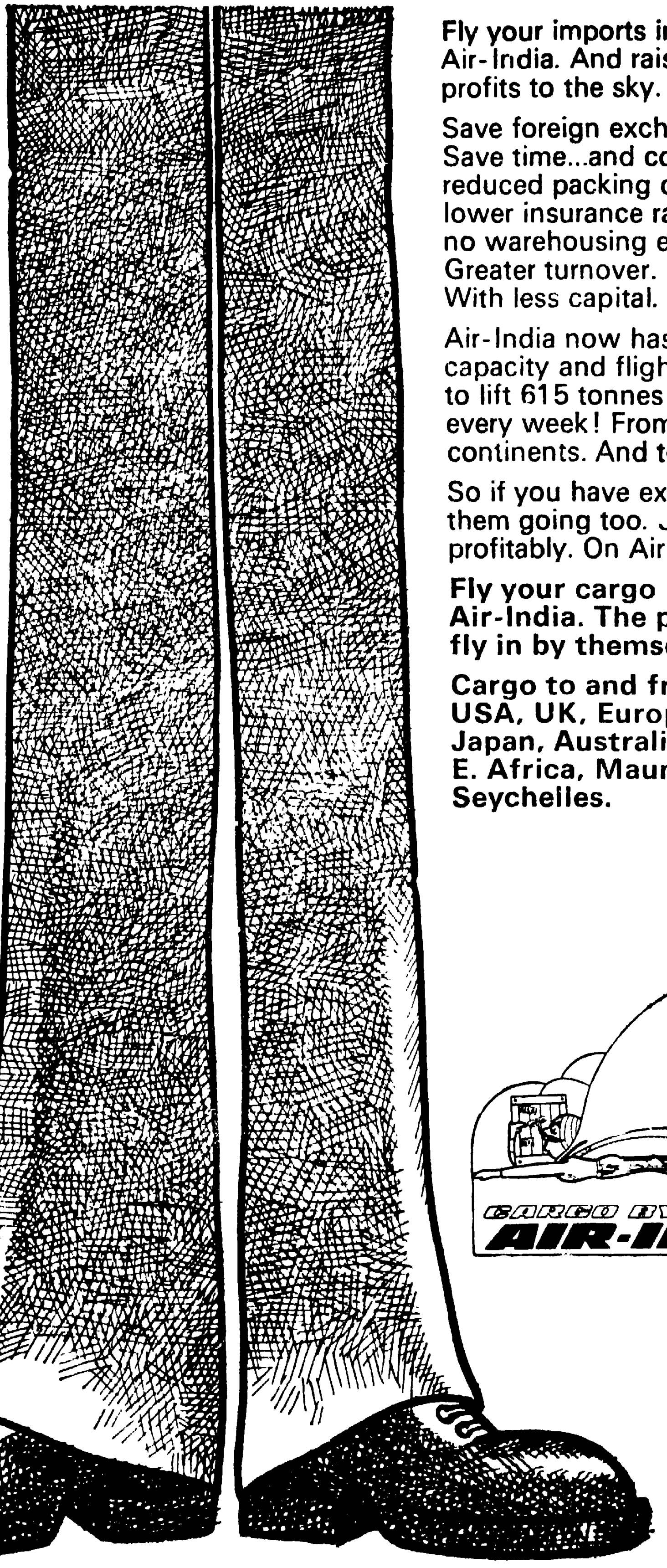
inquiries generated

Besides the above, the Los Angeles me generated inquiries for railway equipme (including wagons), tugs, barges, sma ships, harbour craft, aero-engine part shotgun cartridges, construction plywoo sewing threads, portland cement, coffe mopeds, scooters, aluminium ingots an rolled aluminium products.

The fair has opened up the possibiliti of exports of such new products fallin within the concern of the TDA as (1 rubber-metal bonded parts for Volk Wagen cars; (2) brake drums for Volk Wagen cars; (3) brake drums for jeeps (4) gearbox castings; (5) burnerbas castings; (6) tugs; (7) small ships; (8 harbour craft; (9) speed boats; (1 barges; (11) pleasure craft; (12) marin motors; (13) port equipments; (14) handl ing equipment; (15) bolt cutters; (16 wire strippers; (17) wire cutters; (18 universal pliers; (19) galvanised wire (20) hose couplings; (21) wire nails; (22 stainless steel flanges; (23) canned sardi nes; (24) canned tuna; (25) beach towe set; (26) brass headboards; (27) watc straps (stainless steel); (28) vacuum flasks (29) plywood and plywood products; (30 CKD furniture and shells; (31) shee glass; (32) handloom yarn; (33) handloo (for hobby); (34) cast and forged part for aero-engines; (35) gardening tools (36) motorcycles; (37) mopeds; (38 audio-speaker components (home entertainment use); (39) zinc die castings; (40 aluminium die castings; (41) canned clams; (42) railway wagons; (43) shotgun cartridges; (44) sewing threads; (45) singl strand barbed wire; (46) greeting cards.

Two items were identified for development and production in collaboration with the USA. These were special typ crawler tractors and a special pump for oil wells.

Reach for the sky



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AI. 9936

Towards understanding Gandhi

Dr J. D. Sethi

Nearly three decades after Mahatma Gandhi's death, interest has been rekindled in Gandhism both in this country and abroad. In this article (excerpts from it appeared recently in *The Times of India*) the author has tried to spotlight Gandhi as a moral, social scientist who believed that no political experiment in India could succeed under any constitution unless the institutions of direct participation of the people were also created.

MAHATMA GANDHI has been hailed as a prophet but has seldom been properly understood. We Indians, the inheritors of the Gandhian tradition, have eulogised, romanticized and mythologized Gandhi but never properly conceptualized him. Gandhi himself did not leave behind definitive concepts but he did delineate a path of discovering true concepts and action. But in every year that has passed since his death, we drifted away from the path chartered by him. Indeed, if there is any single major thinker in the world who has remained totally unconceptualized and yet who has remained immensely popular to this day, it is Mohandas Karamchand Gandhi. Worse still, those components of the Indian social and economic structure against whom Gandhi relentlessly struggled have made even deeper thrust into the Indian society. When he came on the scene, the Indian people suffered from a massive sense of inferiority, vulnerability, self-denigration, fear, etc., and he developed and taught them techniques to fight these inner monsters. Somewhere in our race for the so-called modernisation of values through a mixed Marxian-Liberal model, we lost those techniques. Only now are there some signs that the candlelight of that questioning spirit that could shame the sun and was extinguished by an assassin's hand may be lit again.

rude awakening

Now we have been rudely awakened from home grown ignorance and failure of Marxian-Liberal heady mixture by a new interest in Gandhi abroad. This interest in him has emanated from three sources. First, the developed capitalist world has reached a point of crisis precisely because its massive technological and economic growth has created a gap between this growth on the one hand and the organisational and value system on the other. Besides, the crisis of pollution of the environment has spotlighted the dangers of the destruction of the balance between man and his economic system on the one hand and this economic system and the ecology on the other. A widespread environmental movement has grown in these countries which openly advocates zero growth rate.

Second, in the communist countries the massive accumulation of political and economic power in the hands of the state—indeed in the hands of a small minority—is reducing vast populations to sub-human levels, even if well fed. Whereas the developed capitalist world faces the problems of great economic inequalities, social morbidity, alienation, the communist world faces the problem of the most cruelly unequal distribution of political power. Marxists rejected Gandhi long ago by reading him the wrong way just as, according to the best known Marxist, Louis Althusser, they innocently read *Das Capital* upside down. However, some Marxists are attempting to mix Gandhi and Marx while others are trying to find similarities between the Maoist and the Gandhian methods, though yet quite unsuccessfully.

POINT
OF
VIEW

Third, it is the gross poverty, absence of development, external threats to their independence, decline in democratic spirit and total frustration of the third world countries which has contributed most of the revival of interest in Gandhi. The so-called development decades have turned out to be decades of non-development and further increased poverty. Today, more people live below the poverty line in the third world than they did at any time before. All that, the third world is being told, is to have an employment-oriented development strategy as if such a strategy can be deployed with more powerful counter-strategies also remaining in force. Unfortunately, those who are expecting the crisis of this or that system are not those who are experiencing it. They are preaching enlightenment without practising it, whereas Gandhi practised what he preached and that is why he is attracting attention now. Within India a lot of more people are reaching out for Gandhi in self-search.

a total approach

However, despite this three-fold crisis of the global system which has prompted interest in Gandhi, there is yet no attempt to present Gandhi systematically. Gandhi himself was not a system-builder. He was not even a philosopher in the traditional sense. But he developed a total approach to man and his problems as he went along. It is neither fair to him nor is it rewarding for us to slice his approach and to adduce it in support of one or the other programme. In this brief article, what is proposed is an exercise to show certain consistency and relevance of his approach.

The central core of his system consists of five concepts : *Truth*, *Non-violence*, *Satyagraha*, *Swadeshi* and *Bread Labour*, all of which have been re-defined rather improperly, i.e. either broadly or too narrowly by the so-called Gandhians and thus have been subjected to considerable misinterpretations.

In understanding Gandhi, it is absolutely necessary not merely to define his major concepts and provide a proper relationship between them but it is equally important to focus on the nature of those concepts. Without understanding this aspect of Gandhian concepts, one is prone to read meanings which are really not there. Besides, the nature of the Gandhian concepts can only be discussed within the framework of the Gandhian system and not in relation to any other system or definition given by anybody else, either coming before him or being his contemporary. It is not within the scope of this article to discuss at length the nature of those concepts; only a brief mention of them will be made so as to form a backdrop for any analyst of Gandhi.

an integrated whole

First, all Gandhian concepts form an integrated whole. Gandhi was not eclectic even in the best sense of the word. Many eminent people have characterized Gandhian concepts as eclectic. and that is why they have ended up in distorting him. Second, the Gandhian system is not the product of theoretical empiricism. He described his whole life as experiment with truth—starting from truth. Experience could support, enrich or even refute a particular view of truth but truth was not derived from empiricism which was limited by definition. In the post-Gandhian phase, the economic and political policies pursued in India were largely eclectic (Marxist-Liberal combination) or were derived from theoretical empiricism (mixed economy and consensual democracy inclusive of all interests).

Third, Gandhian concepts are not derived from a context. They are fundamental in the sense of being the product of the entire human experience over several thousands of years. In other words, when a Gandhian concept is applied to a context, the same application is not relevant for another context. Therefore, it is easy for anyone to prove almost anything one wants to prove from Gandhi's writings when torn from their context.

Fourth, Gandhian concepts are historical but there is a special Gandhian way of looking at history. History does not move in linear form. There may be linearity in material progress but there is no such thing in the value system. If the Gandhian system is not linear, it is also not pyramidical. It is, according to Gandhi himself, like one of oceanic circles with a centre. The concentric circles represent, in reference to the centre, an evolution, an enrichment and an expansion process.

Fifth, all Gandhian concepts are both relative and correlative and not absolute. Even God is not absolute for Gandhi in any given situation. When Gandhi equated God with truth, stated that the central focus of man's activities is the search for truth, and showed that truth as a whole is not revealed to any one in time and space, then everything became relative. All the same, man is searching for something absolute of which he does not know. Gandhi himself called this as an Euclidian problem.

Sixth, the relative nature of the Gandhian concepts also brings in the question of the contradictions or the gap between known truth and the unknown truth. This makes Gandhian system dialectical in the special sense. It is not like the Marxian or the Hegelian dialectics. The Gandhian dialectics move from the absolute which is accepted as a given hypothesis (such as God which is not necessary to define) to the relative which fully covers man's total life and is reflected in the great struggle of filling the gap between the absolute and the relative by constantly moving to the latter.

religious connotations

Seventh, it is often said that most Gandhian concepts have religious connotations because the starting point of Gandhi is God. This is an incorrect version of the Gandhian approach. In this connection, it must be mentioned that Gandhi had no one particular belief which he derived from any organized religion as a guiding force. Gandhi did believe in religious symbols or rituals because "Symbolism occurs when natural religions are degenerating". He reduced all religions to the level of ethics and morals and as such destroyed if not made redundant any single or uniquely religious approach to human problems. Besides, he first defined *God as Truth* and truth and ethics were what was common to all religions. But subsequently, he reversed this definition and instead of calling God as Truth, he said he was now saying Truth is God. This he did because he openly admitted that an atheist or an agnostic may be looking at truth with the same degree of honesty and integrity as a supposed man of God will do. Therefore, morals and ethics are the central core of all Gandhian concepts and religion in the process is excluded.

Eighth, all Gandhian concepts have large normative connotations. Gandhi rejected all positivist theories because these theories were value-neutral. Particularly in the field of economics and politics, Gandhi explicitly defined his concepts normatively.

Finally, the most important aspect of the Gandhian concepts is that though some of them have existed in one system or another, but together they did not exist in any particular system as a whole. Gandhi is unique in the sense that the structure of his concepts is unique and cannot be referred back to any previous system, unlike that of Marx or any other thinker who could not but rely upon an existing and highly developed system. For example, there would have been no Marxism without the prior existence of complete systems of Hegelian Political Philosophy and the Classical Policy Economy.

Despite all that has been stated above by way of characterisation and limitations on Gandhian concepts, it must also be remembered that Gandhi was also not an idealist in the Webrian traditional sense of the definition even though he may have referred to ideal types with reference to a given context. He was an action philosopher and as such his system can be called as one of unity between thought and action. He was both a fundamentalist and a perpetual revisionist.

struggle for truth

Man's struggle for truth all his life was for Gandhi the whole of man. And what is truth could only be tested in the service of others and not found in caves or mere resolution of one's personal disorders. Since all the truth is not revealed at one time to anyone, one has to move on in search of it, giving up positions taken earlier in favour of those taken up latter if a new truth seems to have been revealed. Gandhi openly admitted of this stand. This approach clearly implied that all Gandhian concepts are relative in the contextual sense and absolute only in the abstract sense. Why Gandhi has often been misunderstood is because, next to Marx, he applied the highest degree of abstraction to his concepts.

This concept and approach brought him to greatly elaborate upon the concept of non-violence which in the final form was equated with love. Many people have stopped at this point and forgot about Satyagraha. This term has also been defined in various ways. But in essence, it means struggle but not conflict. Instead, it meant conflict resolution through struggle with the method of love and non-violence. That is why Satyagraha has been called a soul-force and thus must be devoid of all coercion including the one which implies mind's punishment of the helpless body. Struggle is as eternal as change and continuous as the search for truth. Gandhi and Mao had one thing in common : both believed in permanent revolution but one wanted to achieve it through love, sacrifice and understanding and the other through mass hysteria, and dictatorship of the proletariat.

bread labour

No one could really be seriously searching for truth if one does not believe in the concept of "bread labour". Bread labour in simple terms implied that amount of physical labour, given the arts of production and the socially determined necessities, which is required from each person to produce those necessities. That much labour time must be spent by everybody in physical labour. Any one who does not work with his hands or other limbs runs the risk of being a parasite. Even the greatest thinker, poet or philosopher is likely to be misled by his own ideas and plagues of sophistication if he is not involved in some physical actions. The concept of bread labour in the Gandhian system is what alone produces the unity between action and thought.

The implications of this concept are far reaching for any society but much more for the modern world. In all modern societies, communist, capitalist, developing, etc, one notices great disparities of one kind or another between a small ruling minority, i.e. the elite, and the masses. Socialism, welfarism, collectivism, etc, which made claims to reduce these inequalities, have in fact by the very process of reducing one kind of inequality produced another kind. The present-day Communist countries may have reduced income inequalities — though recent trends show that income inequalities have started increasing again — they have reached unprecedented and most monstrous proportions in political and status inequalities. Gandhi, like many others, wanted to obliterate this distinction between the elite and the masses, but unlike others he suggested the central operational concept of bread labour in the absence of which these distinctions could not be eliminated, no matter what system was adopted. It is tragic that in the land of Gandhi, physical labour should be looked down up.

man's position

Man was central to all aspects of the Gandhian system. One may say that this is true of all systems. But it is only superficially so. Most systems give precedent either to individal man (liberalism) or social man (socialism). For Gandhi, man was important equally as an individual and as a member of society. Gandhi did not believe in any dichotomy between man and society. The relationship between man and his fellow being was as much of love as of struggle, because an individual could be oppressed by and alienated from society just as an individual could become anti-social. We all chant two slogans of the French Revolution, *Liberty* and *Equality*, but we forget about the third, *Fraternity*. Practically little has been written on the third slogan. For Gandhi, it had to be all three on none because they added to one whole which determined the relations between man and society. Non-violence was man's greatest instrument for achieving fraternity or link between man and man, by which the social fabric was made.

Modern capitalism and communism jointly stand condemned, on the strength of the theories of Gandhi and young Marx, as engines of exploitation and as prime begetters of selfish materialism and alienation that were produced by the hard dichotomy between man and society. All the third world countries and their elites and eclectric models too have lost their legitimacy because of the perpetuation of privileges and poverty. We and the rest of the world will have to search for those natural communities of which Gandhi spoke and which link man and society without exploitation. Gandhi can thus be best understood as a moral social scientist in unending search as much for objective social reality as for its moral framework. That is why all Gandhian concepts are relative. For example, I have counted at least twentytwo relative exceptions to the concept of non-violence which Gandhi himself has mentioned. Yet we all seem to make the mistake of absolutising it.

central concept

As a moral social scientist, Gandhi evolved Swadeshi as the most central concept and also the most relevant for nations struggling for independence and desiring a non-dependent model of development. Swadeshi was not defined by Gandhi in terms of narrow nationalism or merely in the context of boycott of the foreign goods as is often believed or seemed so to his contemporaries. It all began like that but was soon jettisoned. For him Swadeshi was a very high-degree of self-reliance at the individual, social and political levels. In his life time, Gandhi was criticized by many on the concept of Swadeshi but as a seeker of truth and a man living under the shadow of his own experience and tackling the problems of his poverty-stricken people, he produced in Swadeshi a remarkable conjunction of many ideas and possible actions.

Swadeshi for Gandhi at least meant three things. First, self-reliance of the basic units of the society, the village or other natural communities, where *up to a point* production was for use and not for exchange. Production for exchange entered in the next circle. The contact between one village and another and between the villages and the cities was eatablished through the production for exchange which followed the dynamically established limits of production for use. The production-for-use aspect of Swadeshi was also designed against the domination of the villages by the cities. We know from our experience of the last thirty years that the gap between the villages and the cities has increased and has now become a serious bottleneck in the way of agricultural as well as industrial development. This has happened despite the Green Revolution and introduction of capitalist agriculture.

The second meaning of Swadeshi was the extension of the same principle between India as a nation and other nations to avoid any exploitation either of India or by India. Gandhi was so much conscious of both.

The third meaning of Swadeshi is more significant to the world over now. Both the Marxist and the Keynesian models of growth, one from the supply side and the other from the demand side, are now dependent on the artificial multiplication of personal or collective wants. But it is disastrous for the world that one-half should live in gross poverty and the other half in equally gross affluence, based on the artificial stimulation of demands. A more disastrous aspect of the problem is that the ethos of affluent of the capitalist and the communist countries has gripped the minority elite of the poor countries. It has not only made them materially but also spiritually dependent upon others. It remains an enigma of modern times how a self-conscious power elite in search for economic independence ended up in producing models of economic dependence.

schizophrenic treatment

The elites' schizophrenic treatment of their own vision is what makes Swadeshi most relevant today. In his concept of Swadeshi there was no scope for the coexistence of poverty and riches or weaker and stronger sections. When taken to higher levels, Swadeshi meant that after everybody's basis needs have been satisfied, there should be some overall constraints on material demands so that the resources could be diverted towards the fulfilment of man's non-material needs.

The concepts of Swaraj and Swadeshi flow from one another so much so that the two have often been used coterminously. Originally, when Gandhi defined Swaraj, he included three elements in it: (a) Hindu-Muslim unity, (b) the removal of untouchability, and (c) Swadeshi. At that time Swadeshi was rather narrowly defined. It was limited to boycotting of foreign goods and protection of handicrafts and other small-scale industries against the products of goods produced through imported machinery. This rather narrow definition of Swadeshi soon gave place to a much broader definition as mentioned earlier. So much so that it ultimately overtook even the concept of Swaraj. This significant development of conceptual relationship brings out another aspect of Swadeshi, mentioned earlier, namely, that concepts are not only correlative but can expand in scope beyond what the original correlation between them may have suggested. The combined force of Swaraj and Swadeshi laid the foundation of Gandhian economy.

most misunderstood

Gandhi is most misunderstood in his attitude towards economy and technology. He was neither a technophobe nor a technophile. It is often said that Gandhi was for everything small and against everything large. Consequently, we have started in the name of Gandhi such operationally useless or tautological concepts as *intermediate technology*, *appropriate technology*, *technology with human face* or *small is beautiful*. In fact, it is these kinds of misinterpretations that led many people to accuse him of some kind of agrarian primitivism. Technologies which displaced man from work without giving them an alternative employment or which alienated man from his work or which alienated man from man were unacceptable to Gandhi. This could apply to any technology. Gandhi was not ready to quarrel with the tools. But he also rejected the concept of neutrality of technology.

Anything that made man slave of machines, production processes or affluence went against the spirit of "personal" Swadeshi or "personal" self-reliance. This will require the elimination of the rat race for material benefits that has been going on in India among a small minority, while the masses have been kept in grinding poverty. Indeed, all this has brought India and her leaders face to face once again with the choices and the questions that Gandhi posed.

Gandhi was not a votary of the economies of scale just because scales meant reduction of economic costs. But surely, it will be ridiculous to say that he rejected the economies of scale if it meant reduction of human drudgery and effort. Similarly, it is complete distortion of Gandhi to say that he stood against industrialisation — he had his own scheme of industries. But he certainly was totally opposed to the then prevailing spirit behind both Soviet and capitalist industrialism which had historically been hailed by many from Marx to Max Weber and by Nehru in our own country. Only the young Marx and the older and sadder Nehru seemed to realise the difference between the two.

That is why if one follows Gandhian approach, one cannot decide in advance in favour of something big or small. One can see how big monsterous large organisations of today have reduced man to worse than a piece of machine, but from there one cannot jump to the conclusion that everything large is bad. For Gandhi, there is a whole continum of technologies which will be acceptable if it satisfies the central core of his five-fold conceptual system as mentioned earlier. All other technologies would be rejected.

technology-qua-technology

Gandhi alone viewed, as if anticipating the current debate, the question of technology and its impact from our different angles; (1) technology and man's personal and spiritual needs, (2) technology and society, (3) technology and economy, and (4) technology qua-technology. Few before Gandhi even posed this last mentioned problem. But it was the social and the spiritual impacts of technology that mattered most to him.

It is not possible to dilate upon these aspects but nearly 70 years after what he had said, it is now being parroted by some of the modern economists. They are calling for the limits to growth in the midst of grinding poverty. For Gandhi it was not the limits to growth that was the central issue but the kind of growth. Gandhi is often being invoked by those who are for zero growth rate, but it will be vulgarisation of Gandhi's ideas to make such an invocation. He would advocate zero want-oriented growth but would not impose limits on need-oriented growth.

Gandhi not merely had an anticapitalist bias but was totally against capitalism as such and its very spirit. The communists called him as agent of the bourgeoise, though what he was doing was to keep them alienated from the colonial power of which the merchant bourgeoise was a natural partner. At numerous occasions and in many frank and subtle ways he attacked capitalism, but he did not totally denounce capitalism; for that matter he did not denounce communism either *though he was opposed to both.* It was so because if he had done that, he was obliged to present a complete alternative system, in the sense in which both capitalism and communism are. All his life, Gandhi was struggling in the direction of finding an alternative,

overall approach

Though he kept on searching for "the" alternative in the economic and political fields as he went along with his struggle and experience, he did develop an overall approach which was unique and internally consistent. When he was convinced of a solution or an alternative to a partial and specifically selected problem, he did not hesitate to put it forward both negatively and positively. Negatively against the existing system and structures and positively for what he wanted instead.

The aforementioned concepts also laid the basis for Gandhian polity of which few seem to have heard of. In retrospect, it seems that this was his cosmic message — the message of parallel polity, though it was painted with a rather very broad brush.

Gandhi was realistic enough to accept democracy in which parties competed for power. But this was not enough for him because this limited democracy could degenerate either into anarchism or into authoritarianism. He saw both possibilities emerging from the patchwork agglomeration that the Congress movement was. Gandhi like Marx was suspicious of the cosmetic merchants of the game of capitalist democracy but he was not prepared to throw the baby with the bath water, as the Marxists did and still threaten to do. He suggested the creation of institutions of parallel polity which would exist in the form of "oceanically" spread Panchayat system as an independent set of institutions from those of parliamentary institutions. It was in this context that he insisted upon the economic self-reliance of the villages and other units participating in the Panchayat system because without an independent economic base there could be no parallel polity.

Gandhi minced no words in saying that no political experiment in India is likely to succeed under any constitution unless the institutions of direct partipation of the people are also created. But the most important thing about these institutions is that they cannot be had for the asking and they will never be given as a gift by the power elite. Institutions of masses will have to be fought for and created by the masses through the weapons of non-violent struggle. Satyagraha plays the central role in it. One cannot deny that Satyagraha has been sufficiently missued in the past. But that is no reason to deny it as a "soul force" and the inevitable link between fundamental rights and fundamental duties.

This view of the polity also determined the limits of power. Gandhi was a very power-conscious man. He did not believe in power vaccum. But while his views of polity had a built-in decentralisation of power, along with a right amount of centralisation, for him power was also subject to many self-denying ordinances as to many parallel and balancing institutions. Essentially, power had to go along with the purpose of service. The power elite had to live at the level of the masses to justify and legitimise the holding of power. Gandhi's concept of power was totally opposed to capitalist or communist concepts of power. Gandhi was the lone super star who could have his cake and throw it away.

the dividing word

Where Gandhi and Marx meet or fail to meet must be clearly understood because such phrases as Christian Socialism, Islamic Socialism and Hindu Socialism are bandied about by lazy, cowardly, intellectuals and demogogic politicians. Gandhi was for integration and against eclectism. Some people may genuinely believe in these kinds of mixtures because not merely do they find good points in both but also expect a working and desirable mix to emerge. For example, both believed in the withering away of the state. But just one word divides them apart — power. Gandhi could absorb atheism but not massive corruption and concentration of power as has been witnessed in all communist countries.

What is to be remembered today is that the central to the Gandhian system of thought and action is man's relentless struggle, without hatred, against the forces of exploitation and evil, including man's struggle against his baser self.

Gandhi's relevance

Whether Gandhi is relevant or not cannot be merely determined just because he happened to be an Indian and the leader of the Indian national movement, a saintly figure and one whom Indians considered as the most eminent. His relevance depends upon first conceptualising his ideas, putting them in the form of a structure and then testing them in actual experience. If the Gandhian concepts fail to satisfy these demands, then Gandhi has to be rejected and if they satisfy then he has to be brought back not as a god but as an action philosopher and as a guide that he always was.

From charlatans to saints, from rich to poor, from despots to crazy anarchists, from one race to another and how even from Marxists to liberals, many have started probing into the thoughts of Gandhi. If Gandhi is made to look relevant for everyone, then it will amount to making him totally irrelevant. Though in his concept of love and non-violence no one is excluded, it must also never be forgotten that the central to the Gandhian system of thought and action is man's struggle, without hatred, against the forces of exploitation and evil.

Therefore, the problem of making Gandhi relevant today is as much of analysing the ideas as of giving concrete shape to his practices. The professional Gandhians by ignoring the former have lost the purpose of the latter also. That is why today it is easier to be a Marxist, an anarchist, a socialist, a liberal and even a believer in total violence than be a Gandhian. May be it will take some more time before we learn the truth of all this but there is no escape from it.

Reserve Bank's negative move

In its anxiety to help the government in holding the price line, the Reserve Bank of India, according to the author, has made an unhelpful move by increasing the cash reserve ratio applicable to the scheduled commercial banks. The immobilisation of resources through this measure along with others initiated earlier might create monetary squeeze at the beginning of the current busy season leading to slowing down in the rate of industrial growth, fears the author.

Sagittarius

THE LATEST decision of the monetary authorities to increase the cash reserve ratio applicable to the scheduled commercial banks from five per cent to six per cent, effective from November 13, 1976, is an indication of their anxiety to prevent unnecessary credit creation and expansion in money supply. There has already been an upward adjustment in the cash reserve ratio to five per cent from four per cent on September 4, 1976. Also, the lending institutions are struggling hard to comply with the new directive of the Reserve Bank relating to the use of refinance against procurement credit. This directive enjoins member banks to reduce the amount availed against refinance facilities to 50 per cent of the outstanding procurement credit in excess of Rs 1000 crores.

resources absorbed

This new arrangement has come into effect from the beginning of November. It has, however, not been possible for the scheduled commercial banks to observe the new formula as an unexpected rise in non-food credit in September-October and heavy borrowing by the central and state governments and public bodies have absorbed all lendable resources. There has actually been an increase in borrowing of these banks in the week-ended October 29, 1976 to Rs 917.86 crores from Rs 874.89 crores, at a time when they were expected to reduce these borrowings and comply with the new directive relating to refinance.

The cumulative effect of these developments will be to immobilise resources of banks of about Rs 525 crores, representing roughly 50 per cent of the extra additions to bank deposits since the begining of this year as compared to the corresponding period in 1975. These developments at the beginning of the 1976-77 busy season bid fair to create an unprecedented squeeze in the money market and lending even for genuinely productive purposes may be found difficult if the Reserve Bank does not extend discretionary accommodation.

complicated situation

The situation may also get complicated if it became necessary also to expand procurement credit on a large scale. It is not known what will be the increase in food credit in the four months ending March 1977. It can be easily Rs 400 crores even if buffer stocks increased by only 3.5 million tonnes, against gross procurement of five million tonnes. The pace of procurement of rice has not yet gathered momentum, but the union minister for Agriculture, Mr Jagjivan Ram, has been repeatedly stating that the output of kharif crops may be equal to that of last season. In some quarters it is felt that it may be only marginally less if at all. But for the relaxation of restrictions on the movement of rice within larger zones and the opportunity afforded to consumers to purchase their requirements for longer periods than usual at reasonable prices, the quantity procured may have to be large. Any further sizable additions to buffer stocks will pose serious handling and storage problems.

The Food Corporation and other state agencies are already worried about the maintenance of existing stocks in proper condition and vigorous efforts are being made to move into consumption earlier stocks and keep cereals in good condition and prevent avoidable deterioration in storage.

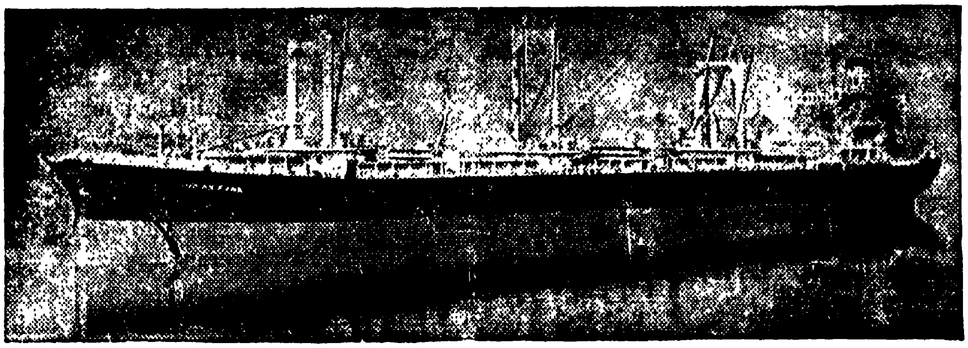
These problems are of course the main concern of the handling agencies. The banking system will experience unprecedented problems if it has to finance 50 per cent of fresh credit out of its own funds after adjusting excess borrowings and increasing its cash balances with Reserve Bank by over Rs 320 crores. There will also be the usual seasonal increase in demand for funds especially as it is anticipated that sugar production may rise by 500,000 tonnes before April as compared to the last crushing season. The increase in non-food credit was not abnormal until the middle of September this year and only in the fortnight ended October 7, there was a spurt of Rs 348 crores. What exactly were the factors responsible for this big rise have not been explained though it is surmised that interest charges had to be debited to various accounts at the end of September and there were also heavy purchases of raw jute, apart from an increase in imports of edible oils and raw cotton. The Reserve Bank should be in possession of the required data particularly as it has been insisting that there should be quarterly budgeting of disposable resources and the utmost care should be exercised in finding out how the loaned funds are utilised by borrowers.

demand deposits

The question is whether it will be correct to take an alarmist view of the increase in money supply in the current financial year up to now and also of the rise in the index of wholesale prices by 31 points. It is true that the growth in money supply has been at a rate which is more than double that of last year. But the content of the increase is due, to a large extent, to the increase in demand deposits of scheduled commercial banks and also the expansion of procurement credit. The rise in wholesale prices in recent months has no doubt wiped out the advantage of earlier net reduction in the indices and has even brought about a small rise as compared to the corresponding period in 1975. It is not, however, justifiable to compare the recent developments with those of 1972-74 as the galloping inflation in that period was due to shortage of agricultural and industrial products, excessive deficit financing and a spectacular rise in bank credit. The growth in non-food credit in recent months is not on account of an unnecessary accumulation of inventories. There has been a build-up of stocks in steel, heavy chemicals and other industries in spite of larger exports as internal consumption has not increased to the point where additional production can be more than absorbed, resulting in a net reduction in earlier stocks. This is particularly true of steel, heavy chemical and tyre industries.

It will therefore be recognised that the policies now being adopted by the Reserve Bank are negative in character and may well have undesirable effects if for any reason credit has to be denied for productive purposes. The different banks are examining what are exactly the implications of the hike in the cash reserve ratio by two per cent and the strict enforcement of the new formula for refinance against procurement credit. There will of course be an impressive rise in deposits in the coming months especially as foreign balances have been regularly rising and exports are showing up well. But it cannot be expected that the growth in these deposits will be more than Rs 1,500 crores in the six months ending April 1977. If refinance against procurement credit has to be availed of on the new basis there will have to be a reduction in borrowings by about Rs 200 crores. The increase in the cash reserve ratio will account for Rs 175 crores, taking into consideration also the fresh additions to deposits in a six-month period. As the statutory liquidity ratio will require fresh investments in government and approved securities to the extent of Rs 500 crores, there will be a balance of only Rs 625 crores left for extending credit to all classes of borrowers. In the last busy season the increase in aggregate advances was Rs 1802 crores. The growth in the current busy season may be of larger dimensions as sugar production is expected to increase substantially.

There will also have to be locking up of sizable funds in buffer stocks of jute while the marketing of raw cotton at higher prices may require a larger volume of credit. As the effect of a bigger rise in advances will be more acutely felt with the need for banks to provide 50 per cent of fresh food credit against the availability of full refinance in the last season, the denial of credit for legitimate purposes may have the effect of heightening inflation and not controlling it. The Reserve Bank will therefore have to adopt a helpful policy and it will become clear by the middle of December what exactly will be the net additions to buffer stocks out of kharif food crops and what will be the requirements of industry and trade in the remaining months of the busy season. It may eventually be found far more advantageous to restrict credit on an industry and tradewise basis by stipulating quotas for maintaining stocks of raw materials and imposing stiffer margins. Without a selective approach to outstanding issues and careful regulation of money flows in the desired directions any attempt to neutralise the growth in money supply by choking sluices which aid normally productive effort in pursuance of an arithmetical exercise can only result in the creation of more problems than it seeks to solve. It is necessary therefore to adopt an entirely different approach and allow credit expansion on the desired scale in a busy season which promises to be unusually busy with a concurrent rise in agricultural and industrial production.



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For a new world economic order

Roger Polgar

The author is resident representative of the United Nations Development Programme (UNDP) in India. In this review, Mr Polgar has assessed the various steps taken by the United Nations and its agencies to improve the level of living of the people in the developing countries. He has drawn pointed attention to the declaration adopted at a special session of the United Nations for the establishment of a new economic order "based on equity, sovereign equality, inter-dependence, common interest and cooperation among all states".

WINDOW ON THE WORLD

THESE DAYS you find the United Nations hitting the headlines of newspapers here and elsewhere almost every day. This is not without reason. The forums of the United Nations have become livelier with their changed complexion quantitatively and qualitatively. From the membership of a mere 51 at the time of signing the Charter in 1945, the United Nations has now 145 members, nearing its goal of universality.

In the past, many developing nations found the United Nations to be the handmaid of big powers in particular and the developed world generally, but today some of the big powers are themselves bitterly complaining about what they describe as the tyranny of the majority of Third World. The fact of the matter is that the developing nations whose voice was chocked for long, have come into their own politically, the United Nations having enabled them to shake off their colonial yoke and speak out freely and frankly at the international forums. Being friends in distress, the developing countries seek to present a united front on many vital economic problems which is indeed a new spectacle.

If one realises the realities of the present situation and sees developments in proper historical perspective, it is easy to realise that it will be a transitional phase. The current phase may be riddled with hot exchanges resulting from bitter experiences of the past, on the part of developing nations, but it is to be hoped that it would not lead to an open confrontation. As the prime minister of India, Mrs Indira Gandhi, told the non-aligned summit in August this year, developing countries want international cooperation and it is as much the responsibility of developed countries as of the developing to avoid confrontation and promote a climate of reconciliation and compromise to resolve outstanding problems.

What is however the most noticable change in the United Nations is its increasing accent on economic problems, especially those affecting adversely developing countries. This development again should be regarded as the logical sequence of what has happened in the United Nations and outside in the last 30 years. Political freedom becomes meaningful only when there is progress towards economic and social emancipation. Article 55 of the Charter itself points out that conditions of stability and well being are necessary for peaceful and friendly relations among nations. The Charter says that the duty of the United Nations is to promote: higher standards of living, full employment and conditions of economic and social progress and development; solutions of international economic, social, health and related problems; and international cultural and educational cooperation.

widening gap

The gap between the advanced countries and the developing countries is widening. However, for the first time in history, most nations now accept the idea that this glaring inequality must not continue, and that rich and poor nations should cooperate to improve the lives of all people. There is also growing realisation that the complex problems of energy and monetary imbalances, the growth of population that neutralises developmental benefits in developing countries particularly, food shortages and hazards of pollution on land, in sea and air, cannot be solved by individual countries alone, but that resources of nations must be pooled and shared equitably. Progress towards equitable distribution is slow, but events are bound to quicken the pace in the coming years.

The International Development Strategy evolved-by the United Nations for the second development decade (1970-80) stipulated that an economically advanced country should endeavour to provide by 1975 annual financial resource transfer to developing countries to a minimum net amount of one per cent of its gross national product (GNP). Of this total, 70 per cent should be provided from official rather than private resources. The strategy also called for specific actions by governments of the developed countries to improve access to developing countries of world markets, to expand and diversify production, to improve the terms of loans and spread the benefits of science and technology. It provides for the granting of preferences to imports of manufactured goods from developing countries.

Except for a small number of the developed countries notably Sweden, Norway and Denmark, the call of the United Nations has not been implemented so far. In April-May 1975 the General Assembly held the first special session devoted entirely to economic problems, specifically to the question of "raw materials and development."

The special session adopted a declaration in which members of the United Nations proclaimed their determination to work urgently for "the establishment of a new international economic order based on equity, sovereign equality, interdependence, common interest and cooperation among all states, irrespective of their economic and social systems, which shall correct inequalities and redress existing injustices, make it possible to eliminate the widening gap between the developed and the developing countries and ensure steadily accelerated economic and social development in peace and justice for the present and future generations". It called for action to ensure and increase all available essential food production inputs in developing countries, including fertilisers, obtained from developed countries on favourable terms, and efforts to promote exports of food products of developing states through just and equitable arrangements by progressive elimination of protective and other measures that constitute unfair competition.

special programme

As a part of the Action Plan, the United Nations launched a special programme and a special fund to provide emergency relief and development assistance to developing countries most seriously affected by economic crises. The programme is to continue as long as necessary, at least until the end of the Second United Nations Development Decade (1980). A one-year United Nations Emergency Operations mobilised over $ 225 million to aid more than 30 hardest-hit countries by the end of 1975. India has also received assistance from this emergency fund.

Again, the United Nations General Assembly evolved a Charter of Economic Rights and Duties of States in December 1974. The Charter says that every state has the right to freely exercise full permanent sovereignty over its wealth and natural resources, to regulate foreign investments within the natural jurisdiction and to nationalise, expropriate or transfer the ownership of foreign property. Appropriate compensation should be paid in cases of nationalisation.

While one has perhaps to wait for some years, if not decades, to persuade rich countries to agree to equitable distribution of world's resources, the United Nations Development Programme (UNDP) in cooperation with executing agencies is taking energetic steps to promote technical cooperation among developing countries themselves (TCDC) in pursuance of the resolution adopted by the General Assembly in 1974. As the new UNDP admintstrator, Mr Bradford Morse, has pointed out, many have overlooked "the very remarkable progress so many of the developing countries have made in the last years". India is one of the outstanding examples in this sphere.

TCDC's role

The General Assembly recognises the key role UNDP has to play in bringing about the new international economic order and TCDC, as one of its new dimensions, has been widely encourged. Following the establishment of a special division at the headquarters for the purpose, UNDP is establishing an Information Referral System under which a register will be maintained outlining the relevant technology, expertise, know-how, equipment and consultancy services available in each developing country. After a series of regional meetings, UNDP is convening an intergovernmental conference early next year in Argentina to draw up a plan of action to accelerate technical cooperation among developing countries.

India has been engaged in technical cooperation with some countries in Asia and Africa. Under the auspices of UNDP alone, 537 Indian experts in various fields of development activities worked in other developing countries in 1975. India ranked first among developing countries and fourth among all in 1975 in the supply of international experts to UNDP. In other UN agencies such as the World Health Organisation, International Labour Organisation and the United Nations Children's Fund, India and other developing nations have provided experts in specific disciplines. There are also experts from developing countries in the International Telecommunication Union, World Meteorological Organisation and the International Atomic Energy Agency. Some of the Indian training institutions can serve as regional training centres. In fact the Central Water and Power Research Station near Poona which has received considerable assistance from UNDP, has been declared a regional centre by the Economic and Social Commission for Asia and the Pacific.

international conferences

The United Nations took the initiative to convene a series of international conferences on vital problems confronting humanity. First among them was the Human Environment Conference at Stockholm in 1972 which the prime minister of India attended and elucidated the link between poverty, development and environment. A United Nations Environment Programme (UNEP) has been established at Nairobi and India has been called upon to play its due role in it. This was followed by the World Population Conference at Bucharest in 1974 and a United Nations Fund for Population Activities has been established with UNDP Administrator overseeing its operations. India will receive $40 million between 1974 and 1979 for regulating population growth and improving the health standards generally to support the drive launched by the Indian government. The World Food Conference at Rome in 1974 initiated efforts to improve food stocks and food production, but unfortunately, the one billion dollar fund proposed is still short of $40 million to start operating. The fund will be of great help to developing countries in future. The International Women's Conference in Mexico city in 1975 aimed at improving the status of women and ending discrimination of sex. Other notable international conferences were on the law of the sea, peaceful uses of atomic energy and of outer space and the prevention of crime and treatment of offenders.

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Interview : Richard N. Cooper

Developed countries should encourage LDC exports

All developed countries should adopt policies that will encourage the developing countries to export the goods that they can produce competitively; this is the view of a prominent US economist, Professor Richard N. Cooper, who was recently interviewed in Washington. "I would not narrowly subscribe to the slogan 'Trade, Not Aid' ", Dr Cooper said, "because I believe some external assistance is desirable...however, the donor-recipient relationship over the past 20 years has shown this is intrinsically a difficult one for both parties, and there is large scope for encouraging developing countries to rely more on their own export earnings wherever this can be done." Dr Cooper is a professor of International Economics at Yale University, and a former Deputy Assistant Secretary of State for International Monetary Affairs. Following are excerpts from the interview.

Q. *The Fourth United Nations Conference on Trade and Development (UNCTAD-IV) last May passed a resolution that urged a greater concentration of external assistance on the needs of the poorer developing countries. Do you consider that an appropriate emphasis?*

A. I do, but with some reinterpretation. A substantial part of US aid has gone to countries that are on the very poor end of the spectrum. Some further reorientation of the American aid programme would be helpful, but this should be towards meeting basic human needs of the poor, rather than just to the poorest countries. That is, programmes should be designed to reduce poverty in many countries, not just the poorest, and they should be specifically aimed at helping the poor—programmes that would raise literacy and improve nutrition, sanitation, and health conditions.

The poorer peoples in all these countries should have opportunities to improve themselves, not just the poor people in the poorest developing countries.

The foreign aid available to a developing country is only one element—and not the main component—of its economic development strategy. But even taking this into account, I believe more should be done to meet basic human needs, in aid policies and otherwise. One approach to this, for example, would be to improve nutrition by raising agricultural output. Here the United States and other developed countries have a lot to contribute in the way of technical know-how.

Q. *How important is trade liberalisation in the developed countries as a stimulus to economic development in the poorer countries?*

A. I would not narrowly subscribe to the slogan "Trade, Not Aid", because I believe some external assistance is desirable, particularly in the areas I suggest. However, the donor-recipient relationship over the past twenty years has shown this is intrinsically a difficult one for both parties, and there is large scope for encouraging developing countries to rely more on their own export earnings wherever this can be done. This is more dignified for both participants and it's mutually beneficial for them. All developed countries should adopt policies that will encourage the developing countries to export the goods that they can produce competitively.

Q. *Is it politically feasible for developed countries to lower their import barriers against these products, in view of the fact that they tend to be labour intensive articles often produced in relatively depressed communities in the United States?*

A. Developing countries, as a group, have done well in increasing their exports of manufactured products to the industrial countries, especially the United States. There has been some resistance to this, especially from certain industries and workers that considered themselves threatened by these expanding imports. But despite this, exports of manufactured goods from developing countries to the United States grew at an annual average rate of 16 per cent over the period 1960 to 1972. That was a very impressive increase—especially since it was steady for a dozen years.

The United States and other developed countries are just now emerging from the deepest recession since the 1930's. Understandably, during a period when unemployment rates have been high, organised labour around the world has been concerned about economic policies that might entail the loss of jobs. But when you talk about trade policy; you should think about a longer time frame—about policies that will affect the structure of production and world trade over the next two decades. Within this context, it is incumbent on developed countries to maintain a steady growth in their internal demand—that is, to maintain full employment. And this will strongly benefit developing countries. When the economy works at full capacity, workers generally find jobs and are less concerned about the development of new sources of competition.

The experience of Japan shows the advantages of flexible economic policies. Japan has been effective in identifying its own growth sectors, and shifting its resources into these, away from those sectors in which import competition is rising. We still think of Japan as an important exporter of textiles, but in fact Japan is being overtaken here by a number of other countries. The Japanese aren't likely to move out of this industry altogether, but they account for a decreasing share of the world's supply of fabrics and clothing. These days, they find it pays more to develop exports of capital intensive products. This policy helps developing-country exporters of textiles—and Japanese consumers.

Q. *Do you think the adjustment assistance provisions of the US Trade Act of 1974 will make it easier for the United States to follow a liberal trade policy?*

A. Yes. These provisions are quite generous. Under this authority, workers dislocated by a surge of imports can receive substantial assistance to help them adjust—assistance to facilitate their retraining and relocation, so that they can move from communities in which manufacturing activity is declining to those in which it is rising. Adversely affected firms and commmunities can also receive assistance.

But in fact, although developing countries often emphasise the need for the United States and other developed countries to liberalise their import regimes, this is not necessarily a key to their own trade expansion. Some of these countries are already doing quite well here—and virtually all of them could organise their economies in such a way as to improve their export performance, with or without changes in commercial policy by importing countries.

However, the US Trade Act does give the American President adequate authority to reduce US tariffs and to negotiate reductions or changes in non-tariff barriers in the trade negotiations now under way in Geneva.

Q. *What kinds of trade concessions do you believe would be particularly beneficial to the developing countries?*

A. The most important commitment, more important than any specific reductions in tariff or non-tariff barriers, would be firm assurance that importing countries will avoid retrogression in their trade policies—that is, will avoid undue resort to so-called "safeguards" that might block the developing nations' export expansion in areas where their economies are relatively efficient. The United States favours the adoption of new and stronger "multilateral safeguard arrangements" in the Geneva negotiations, and this could ensure that the major markets of the world would not suddenly and arbitrarily close their gates to growing trade with developing countries. I hope the developing countries will put great weight on this aspect of the negotiations.

Q. *Do you mean the new multilateral safeguard arrangements should contain explicit provision to exempt imports from developing countries?*

A. No, I would not favour that approach. The proliferation of special treatment to certain groups of countries creates difficulties in administration—ambiguities, confusion, and inefficiency. I would prefer to stick with general policies that will benefit developing countries without singling them out for special treatment.

I think the new multilateral safeguard arrangements should require great restraint in the imposition of new import restrictions, especially with respect to changes in trade patterns that appear to reflect longer-term trends. And wherever such restraints are applied, there should be international surveillance to ensure that they are limited and temporary—to see that they continue to be justified. In my view, the developed countries should seek to maintain full employment, and they should implement generous adjustment assistance provisions to resolve economic dislocations resulting from increased imports. This should solve more of their trade-related problems. Limited safeguards—only under the conditions I have suggested—should be turned to only as a last resort. Under these circumstances, I would not see any need to discriminate or make exceptions in favour of the developing countries.

Q. *Do you consider that the developing countries have a special interest in other aspects of the negotiations?*

A. I think they stand to gain very significant benefits from over-all reductions in tariff and non-tariff barriers—especially if good multilateral safeguard arrangements are also negotiated. An across-the-board reduction in tariffs would be very helpful. Such a formula for reducing tariffs would reduce the degree of tariff "escalation" in all developed countries—the tendency to levy higher duties on manufactured and processed goods than on raw materials, which has encouraged the location of processing industries in consuming countries rather than in the countries that produce raw materials. One can cite some very striking cases to illustrate the point, as when oil-crushing plants are operated in industrial countries to process imported oilseeds or copra. It doesn't take more than a five or ten per cent tariff on imported vegetable oil, compared with a zero tariff on the seed or copra, to make such plants pay and to reduce the economic advantage for the seed-exporting country in developing such plants.

Also, I think developing countries would gain from a general world-wide relaxation of non-tariff barriers to trade, through agreements dealing with such matters as government procurement practices, product standards, and labeling.

Q. *How do you think the United States should respond to some of the other proposals of developing countries—demands such as a debt moratorium, increased technology transfer, and a common fund to finance buffer stocks for a number of commodity arrangements?*

A. I favour a middle-of-the-road position—reflecting patience and forebearance. To put it bluntly, some of the specific proposals that have been put forward are ridiculous, but others have considerable economic merit. I think we should discuss the technical details of these various proposals with representatives of the developing countries, and examine their feasibility, workability, and effectiveness in achieving shared objectives. Close examination, in my view, would reveal that many of these proposals would not advance their own stated objectives. We should deflate the high rhetoric by approaching each proposal on its merits, making counter-proposals where appropriate. We should strive for a lower polemical tone and a higher technical content in the dialogue, all in a generally cooperative spirit.

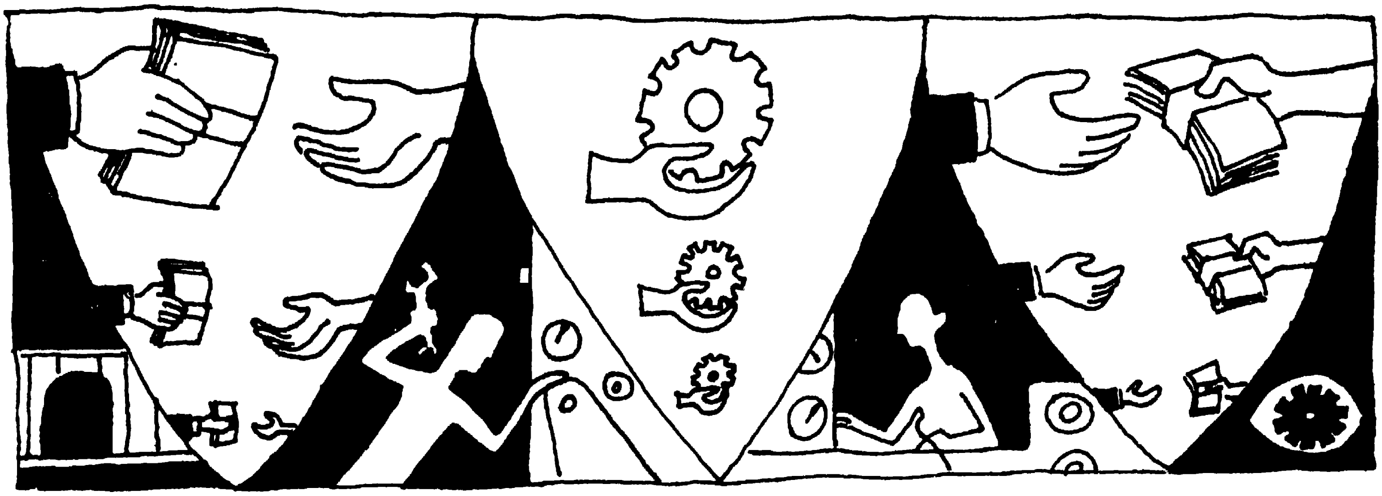
There are appropriate forums for analysing most of these issues. Barriers to international trade are being considered in the trade negotiations in Geneva under the aegis of the GATT—the General Agreement on Tariffs and Trade.

The International Monetary Fund and the World Bank are the best equipped institutions to consider international financial questions. The notion of the "transfer of technology" needs more careful definition: We need to know just what this phrase means, and how to deal with the concepts it involves, before addressing the policy it implies.

Courtesy: *USIS*

An **Eastern Economist** ***Feature***

State Financial Corporations



Challenges facing the SFCs

S. P. Chopra

THE TWO-DAY conference of the State Financial Corporations (SFCs) held last month at Srinagar threw up a number of ticklish problems for careful consideration, the most important being the mounting arrears of loans which were threatening to disturb the smooth working of these institutions.

Five SFCs suffered from this malady in a chronic form. They were Assam with arrears as high as 34.5 per cent, followed by Tamil Nadu Industrial Investment Corporation (23.4 per cent), Uttar Pradesh (19.5 per cent), Gujarat (17.0 per cent) and West Bengal (16.4 per cent). In all these cases the percentage outstandings were higher than the average percentage arrears for all the SFCs.

The remaining 13 SFCs had a better record in this regard, the best being that of the Punjab SFC with outstanding arrears at no more than 4.3 per cent of the loans advanced.

The magnitude of the problem may be gauged from the fact that the total arrears for all the SFCs taken together rose from Rs 38.18 crores in 1973-74 to Rs 46.75 crores in 1974-75 and further to Rs 65.70 crores in 1975-76. What was more, a large proportion of the overdues were for periods exceeding two years indicating that the disease was deep-seated and that it required high-powered surgery for a cure.

The civil procedure codes which were followed by the courts in the recovery proceedings made matters worse because the cases took too long to be disposed of. That was why the spokesmen of the SFCs at Srinagar had pleaded with the government that measures should be devised for speedy recovery of loans. Without drastic legal remedies, the malady was likely to spread instead of being brought under control. It was therefore suggested that till the SFC Act was suitably amended —and Mr Pranab Mukherjee, the union minister of state for Finance, did say that the government was not averse to changes which would improve the working of the SFCs—the state governments should pass the necessary legislation so that the arrears of the state financial corporations may be realised in the same way as land revenue.

In all, the representatives of the SFCs are reported to have proposed no less than 16 amendments in the SFCs Act covering a wide range of issues. For example, the corporations are keen to extend the area of their operations by including certain institutions which at present are not eligible for assistance. Then there is the problem of raising additional funds so as to be able to assist increasing number of establishments. It is conceded that not all the SFCs have complained of the paucity of funds but those which have faced this problem should be helped out. Then, the limit of Rs 30 lakhs seems to be rather low in view of the recent rising cost of machinery and equipment. Some SFCs have suggested that it should be raised to Rs 50 lakhs at least if the medium-sized industrial units are to receive adequate assistance for successful working of the plants.

By and large, the SFCs have been able to assist the small-scale industries only. But the problems of this sector of industry are not only peculiar but they are also of a variegated character. Either the goods produced are not of acceptable quality or the units have no knowledge of marketing techniques. In many branches of small-scale industry, the shortage of raw materials has been an inhibiting factor though for the past one year such a complaint has been on the wane.

A new development which has been noted in recent years is the entry of commercial banks in providing term loans to industrial units. This introduced an element of competition especially because the time taken by a bank in sanctioning the loan is far less than that taken by the SFC. And the number of units assisted by the commercial banks runs into lakhs. Surely there is need for coordination in the operations of the SFCs and the commercial banks so as to avoid unnecessary competition.

Interview : Kaushal Kumar

Assisting the small man

In an exclusive, recent interview with S.P. Chopra, Acting Editor, *Eastern Economist,* Mr Kaushal Kumar, IAS, managing director of Delhi Financial Corporation (DFC), stated that the corporation had disbursed funds to 1146 units valued at Rs 13.69 crores since its inception. The corporation was a relatively new organisation as it would be completing its first 10 years some time next year. While the DFC had not so far felt any limitation in regard to financial resources, it had found it difficult to cope with the flood of applications for assistance. The corporation had recently drawn up schemes to assist tiny units needing financial help ranging between Rs 10,000 and Rs 50,000. Since the DFC believed in thorough and detailed examination of each proposal, its officers acquired a sense of involvement and participation which in a majority of cases resulted in a healthy working of the project.

Q. *Mr Kaushal Kumar, Delhi Financial Corporation (DFC) will be completing its first 10 years some time next year. During this period, what has been the total impact of this Corporation on small and medium-scale industry in Delhi and Chandigarh both in terms of effective sanctions and disbursements?*

A. I shall first give you the extent of achievement recorded by DFC in the nine years ending March, 1976. The cumulative effective sanctions in the nine-year period under reference were valued at Rs 17.27 crores while cumulative disbursements were of the order of Rs 12.70 crores. I may state that during this period nearly 1,000 enterprises were advanced funds for acquiring fixed assets. In 1975-76 alone, sanctions valued at Rs 3.61 crores were made to as many as 200 entrepreneurs. According to data till the middle of the current year i.e. 1976-77, cumulative sanctions to 1146 units had risen to Rs 19.14 crores while disbursements were of the order of Rs 13.69 crores.

Q. *Is there any constraint on the availability of resources?*

A. In my opinion, the constraint is not really in terms of resources but on our capacity to cope with the increasing inflow of applications. As you are aware, we have four major sources of funds available to us. In the first place, there is the IDBI which makes re-finance available to us. This is supplemented by market borrowings by the DFC and in case of additional requirements, this Corporation takes recourse to *ad hoc* borrowings from the Reserve Bank of India. Lastly, there is a regular inflow of funds from repayments of old loans with interest.

Q. *The DFC, I learn, has assisted by and large the small-scale industries only. Will you kindly list the types of industries which have received financial assistance from you?*

A. The industries which have been helped by DFC are numerous but broadly the following groups have shared bulk of the financial assistance—Food processing, auto parts, light engineering, printing, plastics and chemical industries.

Mr Kaushal Kumar

Q. *Do you have any special scheme to assist technician entrepreneurs?*

A. Yes; we have a special scheme for helping technically qualified persons who wish to set up industries in Delhi and Chandigarh. The assistance under this scheme is limited to three lakhs of rupees in the case of groups of persons. This is meant for the acquisition of land, construction of factory building and purchase of plant and machinery. In special cases, assistance for working capital is also provided.

An entrepreneur having an engineering degree, diploma or equivalent qualification is eligible for getting assistance under the scheme. The initial margin is fixed at 10 per cent but it may by reduced depending on the merit of each case. The rate of interest charged is 11 per cent per annum with one per cent rebate for prompt payments of principal and interest and IDBI refinance. The period of repayment ranges between 5 and 12 years depending on the profitability of a project.

Q. *During the last one and a half years, weaker sections of society have been receiving liberal assistance from official agencies. Do you have a special scheme for providing assistance for the establishment of units by people with small means?*

A. The DFC has drawn up a special scheme for helping entrepreneurs and technicians to set up tiny units with little capital of their own. This scheme provides assistance between Rs 10,000 and Rs 50,000. The age of the entrepreneur should not normally exceed 35 years. The assistance is provided for the acquisition of plant, machinery and equipment as well as margin money for working capital. The margin in this case is only five per cent. The rate of interest is fixed at 10 per cent per annum with one per cent rebate on prompt payment of principal and interest. Thus the effective rate of interest works out to be nine per cent which is the cheapest rate at which funds can be borrowed. Incidentally, the bank rate is also nine per cent. The period of repayment is fixed in the range 7-10 years depending on the profitability of the project. The DFC has understanding with commercial banks for arranging working capital also for these small units at concessional rates of interest.

Q. *Is your corporation in a position to provide foreign exchange loans? If so, under what conditions are such credits made available to entrepreneurs?*

A. The International Development Association (IDA) and more recently the World Bank has provided credit in various curriencies to the government of India which is re-lent to the Industrial Development Bank of India (IDBI). Our Corporation receives these foreign exchange credits through the IDBI. We make these credits available either to new industrial projects or to old units for extension, diversification, modernisation and renovation of the existing units. The value of credit ranges between Rs 20,000 and Rs 30 lakhs. The rate of interest is fixed at 12½ per cent per annum with one per cent rebate for prompt payment in the case of small-scale units and technician entrepreneurs. For medium size units, the rate of interest is fixed at 13½ per cent with 1½ per cent rebate for prompt payment.

Q. *Is it true that your Corporation takes four to six months in finalising a credit? Do you think this much time is necessary for disposing of an application?*

A. On the basis of my personal experience, I can say that a thorough and detailed examination of a proposal from various angles is a time-consuming process. Our corporation takes every possible precaution while making an advance to an industrial unit. This is beneficial both for the corporation and the enterprise because many a pitfalls are avoided. We have a sense of involvement and participation with the units which we assist. Applications from technician entrepreneurs and those under the special scheme for tiny units are given priority and disposed of in two to three months' time. In some cases considerable delay is caused because the applications do not furnish complete information required for processing the case.

Q. *In the coming years, what part will DFC play in the industrialisation of Delhi an Chandigarh?*

A. With experience gaine over a decade, the DFC ca look forward to a bright futur in the sense that its pace c operations will not only g quickened but also enlarge in the coming years. We hav a sound and strong financi base. The defaults in paymer range between eight and nin per cent of the total advance By any standard, the DFC ha a brilliant record of perfo mance and in the coming yea it is bound to improve itsel Its gross profit which wa Rs 9.67 lakhs in 1967-68 mu tiplied ten times to Rs 97.4 lakhs in 1975-76. Net prof did still better; it rose fro Rs 3.24 lakhs in 1967-68 t Rs 42.53 lakhs in 1975-76. W also propose to launch in th near future some new scheme for the weaker strata of society

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The sanctions and disbursements for the year 1975-76 amounted to Rs 313.45 lakhs and Rs 252.86 lakhs which were higher than the previous years figures by 45.8% and 36.8% respectively. The profit for the year 1975-76 was higher by 62.3% than that of the earlier year.

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Improving working of state financial corporations

D. K. Kotia*

AS PRIVATE sources (including ommercial banks) could not rovide sufficient finance to ndustries, immediately after ndependence the government ame forward and the Industrial Finance Corporation (IFC) was set up under a separate Act in 1948 to provide finance acilities for industrial deveopment. But this corporation was not able to cover all types of demands as its dealings were tatutorily restricted to public imited companies and cooperative societies. In fact, the IFC was established to provide facilities to large-scale ndustries. Further, it was also very difficult to cover the whole nation by one institution. It was, therefore, decided to establish separate term-lending institutions at each state level to cater for the needs of small and medium-sized industries. Accordingly, the State Financial Corporations Act was passed by Parliament in 1951 as an enabling measure for the establishment of state financial corporations (SFCs). At present there are 18 SFCs.

Loan Assistance

The SFCs provide assistance mainly in the form of loans. They grant loan to new as well as existing undertakings without considering the nature of ownership of industrial unit. They provide loans upto Rs 10 lakhs but in the case of a public limited company or a registered cooperative society the maximum limit is Rs 30 lakhs. The corporations under the SFCs Act are prohibited from granting loans to industrial units whose share capital and reserves exceed a crore of rupees.

The SFCs have done magnificent work in certain fields but according to some people their performance has not been satisfactory and they have not been able to fulfil the objectives for which they were established. There exists a wide gap between the demand and supply of finance for industrial development and, therefore, there is considerable scope for improvement in their operations. They have to develop them on a more sound basis and a proper balance in their operations and activities is necessary.

Problems and Limitations

Also, the SFCs have their own problems and limitations. While it is necessary on the part of the SFCs to formulate proper plans and establish effective control, it is equally important to remove difficulties facing them. With this end in view some suggestions to improve their working have been made which emerge from a study of the workihg of the SFCs.

Aparts from the SFCs, many other financial institutions are engaged in providing financial facilities to industries such as the Industrial Finance Corporation of India (IFC), National Industrial Development Corporation (NIDC), National Small Industries Corporation (NSIC), State Industrial Development Corporation (SIDC), State Small-Scale Industries Corporation (SSIC), State Bank of India (SBI), Industrial Credit and Investment Corporation of India (ICICI), Industrial Development Bank of India (IDBI), etc. The main objective of all these institutions is the same, i.e. to provide financial facilities for industrial development. As no clear line of demarcation can be drawn regarding the fields of operations of these institutions, there always remains a possibility of overlapping and duplication of the operations. This has given rise to the problem of co-ordination between the activities of these institutions.

The co-ordination between the SFCs and other agencies in providing finance to business concerns can be brought about in the following manner:

(i) Industrial units whose requirements exceed the statutory limit of advances (which an SFC may give) may be financed jointly by the IFC and the ICICI. The SFC may act as agent of IFC/ICICI to the extent of the additional loan (this is permissible under Section 25 (i) (d) of the SFCs Act) and accept a *pari passu* charge on the security which may continue to be supervised by it. This will benefit all the parties concerned.

(ii) Where a concern requires assistance both in foreign currency and in rupees, the former may be provided by

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IFC/ICICI depending upon the form of organisation of the concern; the SFC may provide the rupee loan, both agencies having *parl passu* charge on the securities.

(iii) Although the NSIC has many activities to carry on yet it concentrates itself only on providing machines on hire-purchase. The SFC also provides finance for machines. As the NSIC renders service on easy terms and also provides the facility of foreign exchange for importing machines, it affects the business of the SFCs. Therefore, it is suggested, that the NSIC should concentrate all its energies and resources on promotional activities which hold great promise and give up its hire-purchase business which the SFCs should take up. The NSIC, as a promotional body, should act as an agent of the SFCs for the procurement of machines wherever borrowers want such services, and also as the clearing house for information regarding availability, price, performance, etc. of different types of machines.

(iv) Similarly, the SSICs and the SIDCs cover a wide field of activities covered by the SFCs; so there is overlapping. The role of the SIDCs should be limited only up to the promotional activities such as formulating, executing and running of projects which are necessary to fill the gaps in the industrial structure of the states.

(v) Commercial banks and the SFCs may jointly finance an industrial concern against composite security, for acquiring block assets as well as for working capital purposes.

(vi) There is also scope for commercial banks to act as agents of the SFC where the latter has no branches. Apart from being mutually beneficial, it will increase the scope of business of the corporation and publicise its activities in mofussil areas.

(vii) In order to achieve co-ordination among these institutions it is also suggested that the representatives of these institutions should meet at regular intervals to discuss matters of common interest.

The main hindrance in the steady progress of the SFCs is the lack of financial resources. It is necessary to raise more funds by searching for new sources. For this, the following suggestions may be considered:

(1) The government should come forward to supplement the sources of the SFCs through its aid. Unlike the ICICI, as also the Agricultural Refinance Corporation, and to some extent the IDBI, the resources of the SFCs have not been supplemented by funds obtaine from the government on cor cessional terms.

(2) At present, the deposi from public constitute a insignificant part in the func of the SFCs. The raising funds by way of deposits avoic the considerable overhea expenses associated with bor issues. The acceptance deposits ensures a steady flo of funds, rather than an occ sional one that takes place the case of bonds. Also, deposits are repayable o different dates, the SFC do not have to find funds f redemption in one lot as in tl case of bonds. So it is nece sary to increase the amount deposits by the SFCs in ord to supplement their oth regular sources of fund Following steps are suggest to increase the sources of fun by way of deposits by the SFC

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ssing and local patronage ay be helpful to attract asonable amounts of deposits. ocal bodies such as munici- lities may also be encouraged keep their surplus funds on posit with the corporations. fact, it is necessary to con- y the voice of the corpora- n regarding deposit to every an. People generally do not ow that the SFC also accepts posits. The SFCs may col- ctively undertake an intensive l-India campaign to advertise eir policy regarding deposits disclosing the fact that the posits of the persons in the FCs are guaranteed by the ate government in regard to e payment of principal nount and interest thereon.

(ii) One of the difficulties ith the SFCs in raising funds y way of deposits is that the epositors such as commercial anks, cannot take advances against their deposit receipts. To remove this difficulty, it is suggested that deposit receipts issued by the SFCs should be made assignable to third parties. Depositors needing advances could then assign these receipts to banks, etc. To encourage the public to keep deposits with the SFCs, assignment of deposit receipts may be exempted from stamp duty.

(iii) At present, the SFC can accept deposits only up to the amount of its paid-up capital. To help meet a high demand on the resources of the SFCs, it may be desirable to permit them to receive deposits up to twice, rather than only equal to the paid-up capital.

(iv) The SFC may also get deposits from the concern to whom it has provided loan facilities. It is easy because these concerns remain in direct contact with the corporation and it is in the best position to request them and press them to invest their surplus money as deposits in the corporation.

Tne SFCs should be allowed to participate in equity financing. Although equity financing is the most appropriate in the case of a new enterprise (as unlike a loan, it imposes no repayment or interest burden in the initial stages) yet the SFCs cannot be expected to provide equity finance to new ventures because of the risk involved and should proceed cautiously. It will, therefore, be desirable for them to make a beginning by participating in equities of enterprises which have already become seasoned and with which they have had satisfactory dealings as lenders for a fairly long time. If the SFCs participate in the equity capital, they will be able to share in the profits of growing enterprises. After acquiring sufficient experience, the SFCs could later consider undertaking equity financing in respect of new ventures to fulfil their role of development banks.

The SFCs perform a special type of work. They are not ordinary business institutions. Their main objective is not to earn profit but to render financial assistance for industrial development. In many cases, they do not earn profit from their business operations. For example, in backward districts, they do not earn profit but still they do work in those districts. Therefore, it is suggested that the SFCs should be given some financial concessions to enable them to perform their work more efficiently. They may be considered for the following financial concessions:

(i) The SFCs have received

"The Wheels of Production in Farms and Factories must be kept running with Greater Vigour"

—INDIRA GANDHI

WE IN DFC PROVIDE FINANCIAL ASSISTANCE TO KEEP THE WHEELS OF INDUSTRY MOVING

The financial assistance is rendered under the following schemes :

(1) Special Scheme for Assistance to Tiny Units (Introduced in pursuance of 20-Point Economic Programme)
(2) Scheme for Assistance to Technician Entrepreneurs
(3) Scheme for Assistance to Small-Scale Units
(4) Scheme for Assistance to Medium-Scale Units
(5) Scheme for Assistance under IDA Line of Credit— Foreign Exchange loans for import of plant and equipment from World Bank Member Countries and
(6) Scheme for Providing Seed Capital/Margin Money under Half a Million Jobs Programme.

DELHI FINANCIAL CORPORATION
(Established by the Government)
Saraswati Bhavan,
E-Block, Connaught Place,
New Delhi-110001

Sub-Office : 72/73 Bank Square,
Sector 17-B, Chandigarh.

none of the concessions such as the development rebate or tax holiday given to industrial concerns. The corporations have also not received any loan etc. from the government on nil or low rate of interest as some development banks in foreign countries get from their governments. While the SFCs have received no such assistance, their statute has compelled them to pay dividend on their shares right from the day they commenced business and received the shareholders' money. Therefore, they had to take subvention from the state governments for paying minimum guaranteed dividend. It is suggested that subvention liability of the SFCs payable to the state governments should be written off or converted into special capital bearing no dividend obligation

Reserve Fund

(ii) Section 35(A) of the SFCs Act permits the RBI and the state government to forego their share of dividend. This foregone dividend is used to make a special Reserve Fund. But the total amount in this fund shall at no time exceed ten per cent of the paid-up share capital of the SFC. Many SFCs have almost reached this limit. Therefore, it is suggested that this limit should be raised.

(iii) The SFCs are allowed to transfer to a Special Reserve Account a sum not exceeding 25 per cent of the profits of each year, the amount so transferred being eligible for income-tax concession in terms of Section 36(1)(viii) of the Income-Tax Act. It is suggested for strengthening the resources of the corporations that this limit should be raised.

(iv) It is suggested that bonds issued by the SFCs should be exempted from stamp duty.

A large share of the financial assistance (given by the SFCs) has gone only to a few districts. The imbalanced distribution of financial assistance is making poor districts poorer and rich districts richer. It is essential to remove this regional imbalance in order to develop the backward regions. Following suggestions are made to remove this regional imbalance:

More Concessions

(i) More concessions should be provided (in regard to rate of interest, security, margin, repayment, etc.) to industries in the backward areas. (ii) A special fund should be created for providing assistance in these regions. It may be set up by arranging a long-term interest-free loan from the state government or the RBI and this fund should be kept exclusively for financing industries in backward areas on more liberal terms. (iii) As people do not invest their capital in these areas due to the risk involved, it is suggested that the SFCs should come forward to participate in equity financing in these areas. (iv) The corporation should provide as much technical help as possible to industries established in these regions. The SFCs should also assist units in facing their problems relating to production techniques, maintenance, accounting, taxation, procurement of raw materials, marketing, etc. (v) To keep in touch with the needs of industrial finance in these districts, it is necessary for the SFCs to open branches to cover these areas. If it is not possible to open a branch in each district, a group

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Whether you want to set up a new industry or renovate an existing one, or diversify into new fields, MSFC has specialised financial schemes that can help :

* Foreign exchange loans for import of plant and equipment under the World Bank Credit on liberal terms.

* Technicians' Assistance Scheme for Technocrats.

* Transport loans to cover purchase of trucks, tourist, taxis, rickshaws etc.

* Concessional loans to industries in Goa and the 13 districts of Maharashtra which have been declared backward.

* Also special scheme for educated unemployed.

If any of these schemes appeal to you, do drop in on us. Your visit could open up a whole new future for you.

MSFC

Maharashtra State Financial Corporation
Head Office : 7th to 9th Floor, New Excelsior Building,
A.K. Nayak Marg, BOMBAY 400 001.

Regional Offices : Bombay, Pune, Kolhapur,
Aurangabad, Nagpur and Panjim (Goa).

of backward districts may be taken together to open the new branch. The main hindrance in the opening of new branches is the additional expenses which the corporations cannot afford. For this, the state government or the RBI should formulate a scheme of subsidy for an initial period of three years to meet the cost of branch-expansion programme of the SFCs. (vi) The opening of branches by the SFCs is closely bound up with the potential business in these districts. The SFCs, apart from locating existing industrial units for rendering financial assistance, have also to identify the potential for new industries and locate entrepreneurs willing to exploit the potential. For this, it is suggested that industrial surveys, conducted jointly by the RBI, the IDBI, the ICICI and the IFC in certain developing states might cover not only the establishment of large and medium industries but also small industries. This district-wise survey of industrial and entrepreneurial potential will help the SFCs in increasing their business in backward districts.

Delhi's Achievements in the Year of Fulfilment

Decline in Prices

Price rise arrested; negative rate of inflation achieved; model public distribution set-up; people's cloth being sold through 253 coops, and 2251 Fair Price Shops in urban and rural areas.

Home for the Homeless

Land for the Landless

4136 acres of agricultural land distributed to 4538 Harijan and poor landless families. 9000 house sites distributed to poor and Harijan homeless. Rs. 18 lakhs distributed to Harijans, as housing subsidy.

Apprenticeship

3529 youngmen placed as apprentices in industries as against the target of 3500.

Public Enemies on the run

2259 raids on dishonest traders. Suppressed transactions of Rs. 16 crores detected. 14,000 raids against hoarders, black-marketeers.

Relief for Students

Book Banks in 853 schools, stationery at cheaper rates; hostel food costs less; 12 point programme for school improvement. Free text-books to all primary students. Rs. 8 lakhs spent in providing school uniforms to the poor students. Additional Rs. 8 lakhs this year.

Production Picks up

600 industrial sheds constructed. Rs. 3.5 crores distributed as loan to industries. Vegetable cultivation increased from 16.20 thousand hectares in 1972 to 19.72 thousand hectares in 1976. Multiple cropping popularised. Marginal farmers and labourers' Development Agency helping the weakest farmers.

Beautification

City area has a new look. Jama Masjid complex re-developed-beautified. Subzi Mandi shifted to Azadpur. 200 non-conforming industries shifted to the conforming area. 20 Resettlement colonies, with 50,000 plots having basic amenities, set up. New hopes of better life and opportunities for the poor and the weakest. To make Delhi greener 10 lakh trees being planted of which 6 lakhs have already been planted.

Rural Development

50 villages to benefit from integrated programme under cleanliness, prohibition and Family Planning in the first quarter of 1976-77. All villages to come under its ambit by the end of 1976-77.

Delhi tops in Family Planning

Against the national average of 16.1 percent, Delhi has covered 58.6 percent couples in the procreative age-group by the end of March, 1976. This percentage is higher than the Fifth Plan target of 38 percent. As a result of an intensified drive 70,000 more sterilisations have so far been done this year.

WE ARE ON THE PATH OF RADICAL TRANSFORMATION UNDER THE DYNAMIC AND INSPIRING LEADERSHIP OF SMT. INDIRA GANDHI. LET US SINK OUR PETTY DIFFERENCES AND WORK UNITEDLY FOR THE GREATER GLORY OF THE CAPITAL CITY OF DELHI

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Maharashtra State Financial Corporation Helps Backward Areas

AFTER THE bifurcation of Bombay state, the Maharashtra State Financial Corporation (MSFC) was set up in August 1962. It extended its jurisdiction to the union territory of Goa, Daman and Diu in August 1964. Table I shows total assistance by the MSFC in terms of sanctions and disbursements. In the fourth Plan period, the number of loans sanctioned increased more than four times; whereas the amounts sanctioned increased three-fold in comparison with the previous five years. In the subsequent two years alone, the amount sanctioned went up to about 90 per cent of that sanctioned in the entire fourth Plan period. A similar trend reflecting marked increase in assistance was witnessed in the union territory of Goa, during the total period under examination.

Sanctions & Disbursements

Table II shows the sanctions and disbursements in the underdeveloped regions of Maharashtra and the union territory of Goa (which is entirely recognised as industrially backward). The two five-year periods ending in March 1969 and March 1974 revealed a phenomenal increase both in the number of loans sanctioned and in the amounts sanctioned as also the amounts disbursed in the Vidarbha and Marathwada regions. In the Konkan region only the Kolaba and Ratnagiri districts were included as the Thane district is generally recognised as a developed district.

Sanctions registered a four-fold increase in Goa whereas in Vidarbha, Marathwada and Konkan the increase was nearly six times in the fourth Plan period as against the preceding five years. The government of India notified, in December 1970, as many as 13 districts as industrially backward in Maharashtra and the whole union territory of Goa for the purpose of concessional refinance from the IDBI. But this scheme, popularly known as soft loan scheme, became effective from 1971-72 only. So only during the later period of the fourth

TABLE I

Total Sanctions and Disbursements 1964-65 To 1975-76

	1964-65 to 1968-69 (Five years)		1969-70 to 1973-74 (Fourth Plan)		1974-75 to 1975-76	
	No.	Amount (Rs crores)	No.	Amount (Rs crores)	No.	Amount (Rs crores)
Sanctions :						
Maharashtra	1096	16.80	5047	52.86	2208	46.99
Goa	49	1.02	321	4.28	139	4.21
Total	1145	17.83	5368	57.14	2347	51.20
Disbursements :						
Maharashtra	—	13.16	—	32.37	—	24.74
Goa	—	0.36	—	2.38	—	3.31
Total	—	13.52	—	34.75	—	28.05

TABLE II

Sanctions and Disbursements in Specified Underdeveloped Regions

(Amount Rs crores)

	1964-65 to 1968-69 (Five years)		1969-70 to 1973-74 (Fourth Plan)		1974-75 to 1975-76	
	No.	Amount	No.	Amount	No.	Amount
Sanctions :						
Vidarbha	76	0.84	991	6.94	559	4.85
Marathwada	186	0.93	753	5.21	288	5.34
Konkan (K-R only)	24	0.52	369	4.22	151	5.26
Goa	49	1.02	321	4.28	139	4.21
Total	335	3.31	2434	20.65	1137	19.66
Disbursements ;						
Vidarbha	—	0.40	—	3.74	—	3.17
Marathwada	—	0.50	—	3.04	—	2.71
Konkan (K—R only)	—	0.70	—	2.54	—	2.23
Goa	—	0.36	—	2.38	—	3.31
Total	—	1.96	—	11.70	—	11.42

Plan, a definite spurt was given to the industrial development of the notified backward districts. In these 13 districts of Maharashtra, sanctions went up remarkably. From less than Rs 2 crores in the five years ending March 1969 the sanctions went up to nearly Rs 13 crores during the fourth Plan and in the subsequent two years alone the loans sanctioned were valued at more than Rs 13 crores.

The disbursements also kept pace with the quickened pace of sanctions. The increase in the number of loans was also noteworthy. The government of India recognised Aurangabad, Chandrapur and Ratnagiri also as districts eligible for grant of 10 to 15 per cent central subsidy to new units or for the expansion of existing industrial units. In these three districts also the performance was in line with the overall trend of rapid increase in assistance. It is thus clearly seen that over the period of 12 years, MSFC's assistance in the developing districts has progressively improved and the rate of increased assistance cannot be considered to be meagre.

J & K State Financial Corporation Makes Progress

K. M. Kishinchandani

THE JAMMU and Kashmir State Financial Corporation was established by the government of Jammu and Kashmir in December 1959 under the State Financial Corporations Act, 1951 for meeting the financial requirements of small and medium-scale industries in the state. It is one of the 18 SFCs (including Tamil Nadu Industrial and Investment Corporation Ltd) in the country and during the last 16 years of its existence it has made considerable progress in its loan operations which has given a fillip to the transport, tourism and other industries in the state.

The present authorised capital of the corporation is Rs 100 lakhs and the issued and paid-up capital is Rs 76.62 lakhs which is subscribed to by the state government (52.8 per cent), IDBI (21.2 per cent), commercial and cooperative banks (15 per cent), insurance companies including the LIC (7.6 per cent) and individuals (3.4 per cent). The present reserves of the corporation amount to Rs 51.01 lakhs and its total owned funds aggregate Rs 127.63 lakhs.

The corporation grants loans to industrial concerns engaged or to be engaged in the manufacture, preservation or processing of goods, including any art or process for producing, preparing or making an article by subjecting any material to a manual, mechanical, chemical, electrical or any other like operation.

It has granted loans to all types of borrowers except the cooperative societies. Table I given below shows the sanctions and disbursements made during each year as well as the loans outstanding at the end of each of the 16 years since the inception of the corporation.

It will be seen from this table that right from the beginning there has been a progressive increase in the business of the corporation from year to year and during the last three years, in particular, the sanctions exceeded those accorded during the earlier 13 years and during the 15th and 16th years the sanctions accorded crossed the figure of Rs. two crores and Rs. three crores respectively.

The corporation is one of the authorised institutions to grant foreign exchange loans under the credit of $40 million made available by the International Bank of Reconstruction and Development (World Bank) to the government of India for on-lending to the State Financial Corporations through the Industrial Development Bank of India (IDBI) by way of refinancing the loans granted to small and medium-scale industries for setting up industrial units involving import of a portion of the plant and machinery from countries which are members

TABLE I

Loans Sanctioned and Disbursed (Rs in lakhs)

Year		Loans sanctioned during the year			Loans disbursed		Loans outstanding
		Gross	Net	Progressive	During the year	Progressive.	
1.	1960-61	4.01	3.51	3.51	2.21	2.21	2.21
2.	1961-62	7.70	6.56	9.56	4.40	6.61	6.46
3.	1962-63	16.55	15.42	24.98	2.25	8.86	8.10
4.	1963-64	6.08	3.40	28.38	8.79	17.65	16.34
5.	1964-65	11.39	7.91	36.29	8.63	26.28	24.03
6.	1965-66	39.98	37.07	73.63	24.80	51.03	44.27
7.	1966 67	76.69	47.67	121.03	45.16	96.24	75.29
8.	1967-68	63.96	60.24	181.27	54.42	150.66	102.87
9.	1968.69	77.35	68.45	249.72	60.24	210.95	125.16
10.	1969-70	88.49	60.11	309.83	73.71	284.66	152.33
11.	1970-71	158.48	153.45	463.28	128.54	413.20	216.94
12.	1971-72	116.42	103.00	566.28	102.56	515.76	252.48
13.	1972-73	129.08	118.53	684.81	85.81	601.57	250.77
14.	1973-74	176.99	149.21	833.02	110.02	711.59	276.96
15.	1974-75	214.98	167.76	1000.78	184.86	896.45	394.71
16.	1975-76	313.45	282.13	1282.91	252.86	1149.31	574.84

of the Woald Bank and Switzerland.

The lending rates of the corporation are primarily linked with the Bank rate and where refinance is obtained from the IDBI in respect of specific loans granted by it, they are linked with the IDBI rates. The present interest rates structure of the corporation is as given in Table II.

A rebate of one per cent p.a. is allowed in all the above cases if the instalments and interest are paid on the due dates.

The present owned funds of the corporation aggregate Rs 127.62 lakhs comprising paid-up capital of Rs. 76.62 lakhs and reserves of Rs 51.00 lakhs, the latter forming two thirds of the former. The other sources of raising of funds for financing the activities of the corporation are floatation of public bonds repayable after 10 to 12 years against the guarantee of the state government. So far the corporation has raised funds from this source to the extent of Rs. 220.00 lakhs. The loans outstanding at the close of each of the last five financial years were financed from the sources given in Table III.

The profit after tax earned by the corporation for the financial year 1975-76 amounted to Rs 16.55 lakhs which formed 28.9 per cent of its total income for the year and was 62.3 per cent higher than the profit after tax earned during the earlier year. These percentages were the highest when compared to similar figures of the previous 15 years of its operations.

TABLE II

Advances to Industrial Units Including Hotels and Houseboats.

(a) In respect of advances where IDBI refinance is available	
1. Rupee loans	4½% above IDBI rate o 6% with mini. 10½% p.a.
2. Foreign exchange loans	
(i) To small scale units and to technician entrepreneus	(i) 4½% above IDBI rate of 8½% with mini. 13%
(ii) To otner industrial units	(ii) 4¾% above IDBI rate o 8¼% with mini. 13% p.a
(b) In respect of advances where IDBI refinance is not available	
(i) To technocrats	3% above the bank rate with mini. 12% p.a.
(ii) To promotors other than technocrats.	4½% above the bank rate with mini. 13½% p.a.

TABLE III

Sources of Funds

(Rs in lakhs)

	1971-72	1972-73	1973-74	1974-75	1975-76
1. Paid-up capital	76.62	76.62	76.62	76.62	76.62
2. Reserve & surplus	18.32	3.10	18.41	34.73	48.18
3. Issued of public bonds	110.00	110.00	110.00	137.50	165.00
4. Borrowing from state government	35.00	6.00	6.70	6.70	6.70
5. Borrowing from RBI	—	35.00	35.00	11.00	7.87
6. Refinance from IDBI	12.54	20.05	30.23	127.09	270.47
7. Others	—	—	—	1 07	—
	252.48	250.77	276.96	394.71	574.84

Karnataka State Financial Corporation Takes Strides

M. K. Ramachandran

KARNATAKA STATE Financial Corporation (KSFC) was set up in 1959 by the state government of Karnataka under the provisions of State Financial Corporations (SFC) Act, 1951. The SFCs Act, 1951 did not envisage anything more than the establishment of a term lending institution at the state level on the model of Industrial Finance Corporation of India (IFCI). For a long time the State Financial Corporations (SFCs) acted as miniature IFCIs at the state level and confined themselves mostly to providing term finance, the only difference, however, was, they extended their finances to industrial enterprises with all types of management, such as partnership firms, joint Hindu family concerns and proprietary concerns also and not to limited companies and cooperative societies alone, as was the case with the IFCI.

The Karnataka State Financial Corporation functions in close co-ordination with other State level development organisations, all-India financial institutions and the commercial banks in pursuance of the national aspirations, policies and priorities. Development of backward districts has been one of the avowed objectives of the KSFC. In addition to conducting surveys, seminars, campaigns etc this was desired to be achieved by many other methods. The Mysore district which was declared as industrially backward district, has already emerged as the second centre of industrial activities in the state next only to Bangalore.

With a view to generating self-employment among technicians a scheme for technicians was introduced from 1970. The terms under this scheme have been very liberal with 10 per cent security margin and the lowest rate of interest (11.0 per cent) in respect of units in the backward districts. The introduction of foreign currency loan under

Mr M.K. Ramachandran

IDA line of credit is another milestone in the onward march of the KSFC to progress.

The rapid strides taken by

the KSFC from 1969-70 onward can be seen from Table I below.

The loan sanctioned up to the end of June 1976 were of the value of Rs 192.98 lakhs.

The KSFC completed 17 years of its working on March 31, 1976. While the first ten years of its life may be considered as formative, the last seven years may be deemed as years of take-off. Almost about 50 per cent of industrial financing for capital assets in the small-scale sector can be attributed to it. Over 2,200 units spread all over the state have been assisted by the corporation. The gross sanctions exceed Rs 54 crores and the disbursals total Rs 37 crores.

The highlights of the operations of the KSFC can be seen from Table II alongside.

As can be seen from Table II, more than 90 per cent of the assisted units are from the small-scale sector whereas their share in the total finance provided by the corporation is more than 57 per cent It can also be seen that 200 units have been assisted under Technicians' Scheme with a total gross sanction of about Rs 294 lakhs.

TABLE II
Highlights of Operation

Particulars	Since inception upto 31.3.1976		During 1976-77 (1.4.76 to 30.6.76)		Since inception upto 30.6.76	
	No.	Amount	No.	Amount	No.	Amount
I. A. **Loans**						
a. Gross	2159	5284.23	83	182.98	2242	5467.21
b. Net	1964	4723.74	82	162.28	2046	4906.02
B. **Loans** Disbursed	1817	3588.39	50	174.90	1867	3763.29
II. A. Loans sanctioned to small scale units:						
a. Gross	1953	3004 08	64	128.78	2017	3132.86
b. Net	1762	2545.14	63	128.08	1825	2673.22
B. Disbursed	1642	1998.47	45	86.56	1687	2085.03
III. Assistance to backward dists. sanctions	691	1712.25	28	57.46	719	1769.71
IV. Assistance under IDA line of credit:						
1. Gross sanctions	96	594.34	22	58.18	118	652.52
2. Net sanctions	88	545.44	22	58.18	110	603.62
3. Disbursed	51	261.81	5	42.39	56	304.20
V. Assistance under Technicians Scheme:						
1. Gross sanctions	200	294.14	21	23.58	221	317.72
2. Net sanctions	189	277.57	21	23.58	210	301.15
3. Disbursed	160	184.33	8	16.68	168	201.01
VI. Profit earned		326.32				
VII Income Tax paid		136.72				

TABLE I
Growth of Karnataka State Financial Corporation

(Rs in lakhs)

Sl. No.	Year	Amount Sanctioned	Index	Disbursed amount	Index	Profit before tax
1.	From 1959-60 to 1968-69	845.38	515	649.64	408	78.26
2.	1969-70	164.04	100	135.37	100	20.21
3.	1970-71	337.06	205	198.72	147	23.09
4.	1971-72	504.63	308	329.59	237	25.04
5.	1972-73	569.48	347	377.25	279	30.32
6.	1973-74	850.73	519	447.32	330	40.75
7.	1974-75	1047.16	638	750.85	555	51.57
8.	1975-76	965.75	589	718.47	531	57.08

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TRADE WINDS

Birla's Call for Increased Production

ADDRESSING a press conference in New Delhi last week, the chairman of the golden jubilee celebrations of the Federation of Indian Chambers of Commerce and Industry (FICCI), Mr B.M. Birla called for increase in production and reduction in costs through discarding inefficient ways of production so that not only the price level could be contained through competition but also the industrial progress of the country could be accelerated. If the masses were to be ensured a reasonable standard of living by the turn of the century, he thought, a colossal investment of $1,000 billion would be needed by 2000 AD. Mr Birla emphasised that this was not an impossible task, provided we thought in big terms and made efforts to attain high goals. What the country needed, he said, was a giant leap in economic development.

Mr Birla stressed that although there had been certain welcome changes in the policy of the government, there was still lack of coordination among the various departments. He agreed that a proper policy framework would have to be evolved for accelerating the pace of development.

Regarding foreign investments, Mr Birla observed that they were only to act as a catalyst to bring about an industrial revolution in the country. Time, he said, had come for exposing our industries to the developments abroad. The Indian economy, he felt, had been insulated from the world developments for quite a long period.

Mr Birla did not think that the Foreign Exchange Regulation Act (FERA) was a deterrent to foreign investments. It was a "very flexible" piece of legislation, he opined.

Rapid Strides

During the golden jubilee year of the FICCI and the forthcoming council meeting of the International Chambers of Commerce (to be held in New Delhi next month), efforts Mr Birla said, would be made to build up the right atmosphere for industrial growth. He wanted foreign businessmen and industrial entrepreneurs to visit this country to see for themselves the rapid strides which this country had taken on the industrial front.

Mr Birla pointed out that foreign investors did not pull their investments after they had been made. They were interested in ploughing back profits for further production and growth. There was, therefore, no need to give short shrift to foreign investment. Mr Birla's views on the subject were shared by the FICCI president, Mr M.V. Arunachalam, and an ex-president of the FICCI, Mr Harish Mahendra.

Referring to sickness in industry, Mr Birla expressed the view that a clear distinction ought to be drawn between the sickness of a particular industry as a whole and sickness of some units in an industry. While the former, he said, could be remedied by policy changes, as invariably it resulted from the policies relating to that industry, the latter was due primarily to incompetent and inefficient management and could be remedied if the efficient industrial units were allowed to take-over sick units. The proposals submitted some time ago by the FICCI in this regard, he stressed, deserved careful consideration by the government.

Mr Birla further stated that notwithstanding exports of some engineering goods and such manufactured products as textiles and jute, we still continued to be exporters of raw materials and imports of capital goods; we still had to go a long way in diversifying our exports. He exploded the myth that the industry had exportable surpluses. The moment domestic demand picked up, he pointed out, we would not have these surpluses, as underutilisation of capacity was not much in many industries which had exportable surpluses at present.

Price Support for Oilseeds

Support price for groundnut and for sunflower seeds for 1976-77 season has been announced. The support price for groundnut will be Rs 140 per quintal for fair average quality of seeds and Rs 150 per quintal for sunflower seeds, inclusive of promotional premium of Rs 10. The announcement is on the basis of the recommendations of the Agricultural Prices Commisson. The minister of state for Civil Supplies and Cooperation, Mr A.C. George stated at a press conference recently that a new Directorate of Oils and Fats is being set up in the ministry of Civil Supplies and Cooperation for coordinated development of oilseeds, oils and fats. This is being done in view of the importance of these commodities as an item of mass consumption as also a source of raw material for various industries and foreign exchange earnings. Mr George said last year India had a very good crop. Seventy per cent of the

Fire Prevention Equipment

The National Building Code instituted by the ISI lays down guidelines to ensure the safety of the buildings against risk of fire. It was revealed in a pilot study conducted by the EECI in five main cities of India—Madras, Bombay, Calcutta, Delhi and Lucknow—that 29 of the 52 installations checked for fire hazards were not fitted with H.R.C. Fuse. The multi storeyed buildings visited included hospitals, hotels, theatres and industrial units. The reason given for non-replacement of H.R.C. Fuse was the non-availability of H.R.C. Fuse or non-realisation of the grave danger involved. English Electric Company of India Ltd (EECI) manufactures fire safety equipment such as H.R.C. Fuse, which would "absorb" a fault in a switch board and only a few sparks would mark the occurrence of a fault, thereby saving a disastrous fire.

total production of edible oils in the country was of groundnut.

Mr A.C. George disclosed that the National Cooperative Development Corporation is planning the development and adoption of extraction technology for oilseeds. The present method is outdated. The new technology being developed will help in extracting maximum oil while retaining the quality of oilcake, which is fetching good price. The minister said with the assurance of a proper and minimum support prices to cultivators, the government was of the view that there should be no restriction on inter-state movement of vegetable oils and seeds. All the state governments have been advised not to impose any restrictions in this regard. With these measures, the government expected that the availability of oils and oilseeds throughout the country to improve and prices to stabilise.

Safety in Coal Mines

With a view to strengthening safety measures, the minister for Energy, Mr K.C. Pant, has asked all nationalised coal mines under Coal India Limited (CIL) to observe a Safety Fortnight from December 1 to 14. At a high-level meeting held recently, Mr Pant reviewed the safety procedures followed in coal industry with the secretary and senior officers of the Department of Coal, chairman of CIL and managing directors of subsidiary companies.

Mr Pant said that the government and the Coal India Limited were committed to improve safety measures and as such the management must do everything possible in this direction. He discussed in detail problems connected with improvement in safety measures like supply of good timber supports, steel supports and improvement in rope haulage system.

He asked the Coal India Limited to undertake afforestation of the coal mining areas with a view to rehabilitating such areas. He also stressed the need for further strengthening training facilities which would also go a long way in reducing accidents.

Exports Look Up

India's exports including re-exports during the first six months of the current financial year were of the order of Rs 2,263 crores as compared to Rs 1,765 crores in the corresponding period of 1975-76, thus registering an increase of more than 28 per cent. On the other hand, the imports during the period under review has decreased to Rs 2,251 crores from Rs 2416 crores during the corresponding period last year, indicating a contraction of nearly 7 per cent. This has given rise to a small favourable balance of trade of Rs 13 crores during April-September 1976 as compared to the huge negative balance of trade of Rs 652 crores during the corresponding period last year.

The export performance this year is, however, to be seen in the background of continuously rising graph of exports during the last few years. The exports during 1975-76 rose by 18.4 per cent, in 1974-75 by 31.9 per cent, in 1973-74 by 28.0 per cent and in 1972-73 by 22.5 per cent, over the performance of the respective preceding years. A number of commodities have contributed to the satisfactory export performance during the first six months of the current year. According to provisional estimates, the export of cotton textiles, engineering goods, leather and leather manufactures, marine products and spices, particularly pepper and cardamom, were larger during the first six months of this year than in the same period of last year. Among engineering items, there was a noticable expansion in the export of items like transmission line towers, wires and cables, vehicles, machine tools, steel pipes and tubes, wire products, industrial fasteners, aluminium products, bicycles and parts, electronic items and batteries.

Export Drive

The export performance during the last few years has been considerably helped by well articulated measures taken by the government to facilitate export production and increase and diversify the destinations and commodities of exports. The all-out drive launched to increase export earnings included successive liberalisation of the Import Trade Control Policy, fixation of compensatory support for longer periods, import of raw materials free of customs duty in the case of advance import licences import of raw material requirements for units located in the free trade zone through an open general licence, placing of import of leather machinery on an open general licence and liberalisation of the import capital goods and machinery of generally. In addition, exporters are now able to obtain draw back of customs and excise duties through nationalised commercial banks of their own choice and soon after the presentation of the documents relating to exports.

In the area of shipping and transport, committees have been formed at major ports to prepare advance projections of availabilities of cargo for major destinations. Similar steps are

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also being taken to promote export by air including the setting up of a number of air cargo complexes at the major international airports. Significant institutional changes have also been made in order to facilitate and promote exports. A new department of textiles has been created in the ministries of Commerce so as to give undivided and concentrated attention to the problem of textiles in the area of production, marketing and exports. The department is also responsible for modernisation and rationalisation of the textile industry.

Attempts are also being made to increase and diversify the exports to various countries. The department of foreign trade in the commerce ministry is opening new areas through the technique of exhibitions and trade talks for our merchandise. In addition to our established markets in east and west Europe, trading relations are being established with Spain and Portugal. Trade with the oil-rich Gulf countries as well as the developing countries in south-east Asia and Africa are also increasing.

PEC Exports

Export earnings of the Project and Equipment Corporation have increased by nearly 20 per cent during the first seven months of the current financial year. They have amounted to Rs 24.2 crores compared with Rs 19.8 crores in the same period (April-October) of 1975-76. Of the total earnings, export of railway equipment has fetched foreign exchange of the order of Rs 13.5 crores and engineering equipment Rs 10.7 crores. During the period, the PEC has secured export orders of the value of Rs 29.8 crores against Rs 25 crores in the months of the previous year.

PEC has fixed an ambitious export target of Rs 48 crores for the current financial year. Exports last year at Rs 28.6 crores were higher by 46 per cent over the 1974-75 level of Rs. 19.6 crores. In keeping with the accepted need to accelerate exports, PEC proposses to set up warehouses both in the developed and developing countries. The developed countries where such facilities may be established include West Germany and the UK.

India-UAE Satellite Link

India and the United Arab Emirates will have direct satellite telecommunication circuits by the end of this year. This was indicated by Dr Shanker Dayal Sharma, minister of Communications, to Mr Mohammad Saeed Al Mulla, minister of Communications of UAE, who called on him recently. Welcoming Mr Saeed Mulla, Dr Sharma hoped that his visit would begin a new era of cooperation between India and UAE. The provision of the satellite link will be appropriate in view of the historic links between the Arab world and India. Dr Sharma said that the link is facilitated by the satellite earth station at Dubai which provides telecommunication facilities to a number of countries in the region. On the Indian side, Dehra Dun earth station would soon be in operation to augment the facilities now available from Arvi.

Mr S.M. Agarwal, secretary, ministry of Communications, said the link is justified in view of the growing traffic between the two countries, which is now being switched through Bahrain. Dr Sharma was informed that the traffic projections made in UAE would require more and more circuits in the next five years. Dr Sharma assured the visiting mininster that India would be glad to provide training facilities for the telecommunication personnel of UAE. He said India is interested no only in training of the UAE officers but also enable them to acquire technical know-how so that they can set up their own telecom industry. Dr Sharma also offered training facilities in the postal field.

Mr Saeed Mulla referred to his visit to the Indian Telephone Industries at Bangalore and suggested that an expert team from India may visit his country to advise them on their needs of telecom and postal growth. Mr Saeed Mulla also visited the Telecommunication Research Centre, the Trunk Exchange and the Advanced Level Telecom Training Centre in the capital. He expressed appreciation of high level research work at these centres. Mr Saeed Mulla was accompanied by Mr Halim Fanous, director telecom, Mr Abdulla Hassan Makki, superintendent and Mr Majed Saif Al Majed, deputy director, Civil Aviation.

Indian Airlines

The Indian Airlines has added recently a 278-seater airbus which arrived recently from Toulouse and was received by Mr Raj Bahadur, union minister of Civil Aviation.

The Indian Airlines had earned a cumulative profit of Rs 4.52 crores in the first half of the current financial year, April to September, considered to be a lean period for the airlines. A twenty per cent growth in traffic has been registered during lean half-year period with 1.82 million passengers carried by the airlines as against 1.51 million carried in the corresponding period last year.

The total expenses of the IA due to economy in operations came down during April-September to Rs 54.24 crores, 3.4 per cent less than the budgeted estimated of Rs 56.12 crores. The total revenue earned by the airlines during the period is Rs 58.76 crores against the budgeted figure of Rs 55.57 crores. Foreign exchange earnings have also gone up by over Rs 1 crore to Rs 11.77 crores during April-September this year, from Rs 10.68 crores in the corresponding period last year.

Power Generation

During the first six months of the current financial year (April to September) power generation has risen by 16 per cent. The total generation during April to September this year was 43,226 million units against 37,126 MU. The boiler maintenance down time during the period under review was brought down by 51 per cent and turbine maintenance by 39 per cent over the corresponding period of the previous year. A total of 370 MW additional generating capacity was added during the same period. This included 240 MW in thermal generation and 130 MW in hydro generation. During April to September this year, 96.6 per cent of generation target was achieved by the country.

A new power generation record of 262.03 million units a day was achieved on October 30, 1976. The total power generation in October was 7614 million units against 6687 million units during the same period last year. The actual supply of power during last month was 230.13 million units a day as against the anticipated 222.21 million units a day. The scond 210 MW unit at Tarapur Atomic Station was brought back to service on October 17 after refuelling, well ahead of the schedule. In view of the power shortage in some of the states, relief was provided by other states. Gujarat exported 48 million units to Maharashtra, Rajasthan 7 million units to Bihar, Kerala 61 million units to Tamil Nadu and Tamil Nadu despatched 30 million units to Karnataka. The power position is expected to be satisfactory during the current month. The availability during the month is anticipated to be 234.39 million units a day.

Offshore Oil Production

The cumulative production of crude oil from the Bombay High oil field has crossed the one million barrel mark.

Offshore oil propuction in the Arabian Sea started on May 21 this year. The four Bombay High oil wells now in production are flowing at a total average rate of 15,000 barrels per day. Meanwhile a second production platform is being installed and three more developmental wells, already drilled and completed, are expected to be gradually connected to it to accelerate the rate of production.

It is planned to have a total of four production platforms to exploit oil from 20 wells expected to be completed during the first phase of development of Bombay High. The CFP of France have been engaged as consultants for the field's first phase development programme which is expected to cost about Rs 90 crores. The rate of production from Bombay High is expected to reach 1.5 to 2 million tonnes by the end of this year. This rate would double in the following year. Bombay High is ultimately expected to yield annually about 10 million tonnes of oil by the end of the current decade. Besides Bombay High, oil has been found in Cambay basin offshore area in the Bassein North structure and the 'Fault' structure lying east of Bombay High. The Bassein field is currently being developed and the drill-ship Sagar Samrat has a programme to drill four exploration-cum-production wells on the structures. Two such wells have already been completed.

Kesoram Cement

The foundation stone was laid recently by Mr J. Vengala Rao, chief minister of Andhra Pradesh, for the third cement unit of 750 tonnes capacity per day of Kesoram Cement, the youngest member of the family of Kesoram Industries & Cotton Mills Ltd.

The first unit of Kesoram Cement was commissioned in 1969 within 20 months of the taking up of the project which was a unique record. The second unit was commissioned in 1972. Both these units have an installed capacity of 1,260 tonnes of cement per day. At present they are producing at an average rate of 1,450 tonnes per day. This performance has been achieved in spite of having a limestone deposit which it is very difficult to mine and process.

RITES Performance

In the brief period of its existence, Rail India Technical & Economic Services Ltd. (RITES) has gained the recognition of international organisations of renown like the World Bank, Asian Development Bank, Inter-American Bank, UNDP, UNIDO, and the foreign countries in which RITES has won assignments are Iran, Syria, Ghana, Sri Lanka and Zaire.

Amongst RITES' foreign assignments, mention may be made of contracts successfully negotiated with Syria for feasibility studies for all their new rail lines totalling to some 450 kms, and with Iran for a 350 km long electrified double line. Both these studies have been completed and reports submitted by RITES were well received by the respective governments. At the request of the Iranian government, RITES recently made a quick survey of the existing line from Zahedan to Mirjaveh and made recommendations for rehabilitation of this line for carrying increased traffic. A RITES team was in Ghana recently to suggest measures for improving the maintenance standards and operational efficiency of their railway system.

Besides undertaking these projects, RITES has also signed an agreement with Zaire for deputing experts to assist their railways, with RITES providing all the appropriate back-up services. At the request of the Asian Development Bank, RITES has also sent an expert recently to Sri Lanka to tender, advice in regard to maintenance of rolling stock.

Handsome Profits

During the year 1975-76, RITES showed a handsome profit, and it was possible to declare a dividend of 12 per cent with the balance credited to the general reserves.

On the domestic front, RITES is doing a survey for the North Eastern Council for siting a road bridge across the Brahmaputra. RITES has recently been commissioned by the ministry of Agriculture to undertake a comprehensive study of all movements relating to fertilisers. With the government's decision that consultancy for all major railway sidings in the country should be undertaken by RITES, the company's involvement in local projects will now increase.

Inspection of equipment ordered by the various zonal railways, etc., is also being progressively entrusted to RITES, which has now established regional offices in Bombay, Madras, Calcutta, Delhi, Bangalore and Hyderabad, for this purpose.

Export Duty on Groundnut

The government has raised the export duty on groundnut, keeping in view the prices in the international markets. According to an official notification, the export duty on groundnut kernels has been raised from Rs 800 per tonne to Rs 1,500 per tonne, and that on groundnut in shell from the existing Rs 600 per tonne to Rs 1,125 per tonne.

Names in the News

Mr **A H. Mehta** has been appointed Chairman and Managing Director of Indian Airlines for a period of one year with immediate effect.

Mr **Lakshmipat Singhania,** vice-president of J.K. Organisation, eastern zone, died recently. He was 66.

A leading figure in the industrial and business community Mr Singhania a was former president of Federation of Indian Chambers of Commerce and Industry, All India Organisation of Employers, Bharat Chamber of Commerce, Calcutta, Merchant Chamber of Uttar Pradesh, Kanpur. He was also a member of the Indian national committee of the International Chamber of Commerce.

COMPANY AFFAIRS

Glaxo

SALES OF Glaxo Laboratories (India) Ltd increased by nearly Rs seven crores during 1975-76 and were about 16 per cent higher than in the previous year. It is heartening to note that the rate of increase in sales was maintained as forecast. But there is an important qualitative difference. In 1974-75, eight per cent of the 18 per cent increase in sales was due to price increases. But 1975-76 price increases contributed only three per cent of the increase in sales, which was, therefore, due to the increase in volume and some changes in the pattern of production. Again, unlike last year, this performance has been more rewarding in terms of profit. After tax profits at Rs 209 lakhs represent about 12 per cent of share capital and reserves, while last year after tax profits were only 9.5 per cent of share capital and reserves. It will be seen that Glaxo is thus approaching the level of profit which would be conducive to growth and progress.

Remarkable Improvement

Several factors have combined to bring about a remarkable improvement in working results. One, of course, is the cooperation of the staff and the employees both in the factories and in the field. The second is the improved supply position of agro-based and other raw materials, including imports. Prices were generally stable and where there were material increases, price adjustments were made within reasonable time. The third, and by no means the least important, was continued pursuit and wider application of improved management techniques. These factors were, of course, not fortuitous and hence will continue to prevail during the current year and in the following years. With such an optimistic outlook the directors have decided to capitalise a part of the reserves and issue bonus shares in the proportion of 1 for 2. The directors are confident that it will be possible to declare a dividend of 14 per cent on the enlarged share capital in 1976-77.

Dunlop India

Dunlop India's income during the first six months of 1976 amounted to Rs 80.63 crores. After deducting manufacturing and trading expenses balance from 'trading' was of the order of Rs 7.86 crores. After charging Rs 87.94 lakhs to depreciation reserve and providing Rs 215.37 lakhs towards interest charges, the profit before tax came to Rs 482.35 lakhs. After allocating Rs. 275.29 lakhs for taxation the profit after tax worked out to Rs 207.06 lakhs.

Sales of automotive tyres were adversely affected by continued low demand from the road transport industry, and both Sahaganj and Ambattur factories were forced to operate at well below capacity. Improvements in productivity and greater all round economies, however, helped to cushion the resultant loss of production. There was stability in raw material availability and prices. It is hoped that there will be some uplift in the demand for automotive tyres by year end. Meanwhile exports are being stepped up. At the board meeting held on November 5, 1976 the directors have declared an interim dividend for 1976 of 75 paise per share on the ordinary shares, subject to tax, payable on or after December 13, 1976 to those members whose names appear on the register on December 9, 1976.

Ashok Leyland

In the twelve months ending September 30, 1976, Ashok Leyland produced and sold a record number of commercial vehicles in the heavy duty range. Sale of vehicles was 8,749 (7,764) registering a sharp rise of 13 per cent.

The higher sales volume has been possible by ready availability of vehicles from the increased production under the expansion programme currently being implemented and market penetration, despite the sluggish market, especially for goods vehicles, and the keen competition in a buyer's market.

The sale of extra heavy duty vehicles, Beaver and Hippo models and Titan Double Decker chassis remained static mainly due to lack of finance for projects and metropolitan transport needs. During the latter part of the period, the demand for industrial engines particularly marine version, sharpened. Sale of spares amounted to Rs 123.5 million, again a new record.

The company maintained its thrust in export markets and sold a record number of vehicles earning Rs 91.3 million in foreign exchange, including the sale of spares. The company's financial year has since been changed from October-September to January-December. Consequently, the financial results this year will cover fifteen months ending December 1976.

Toshiba Anand Lamps

Toshiba Anand Lamps Ltd has suffered loss of Rs 22.2 lakhs during the year ended March 31, 1976. The general economic recession causing accumulation of finished goods, resulting in locking up and paucity of funds and the credit squeeze coupled with higher expenses on raw materials, excise duty, interest charges and manufacturing and administrative operations, all contributed to the loss for the year. Sales during 1975-76 were a shade higher at Rs 298.85 lakhs as against Rs 294.28 lakhs in the previous year. During the year under review, there was an unprecedented glut in the market resulting in serious competition amounting to almost a price-war. Lamps and tubes were being sold in the market at uneconomic prices. Because of the difficult market conditions a major shift in the company's sales policy also became necessary. Arrangements by which a major portion of the company's production was being sold through one leading firm came to an end in September 1975 and the company is now directly marketing its products. The market situation has recently shown some improvement and the company hopes that it will be able to close the current year on a more satisfactory note.

Blundell Eomite Paints

Blundell Eomite Paints Ltd has reportced satisfactory working results during the year ended June 30, 1976. Sales during the year were substantially higher at Rs 889.54 lakhs as compared to Rs 710.14 lakhs in 1974-75. The profit after providing for depreciation and meeting all manufacturing and overhead expenses but before providing for taxation, amounted to Rs 53.34 lakhs as compared to Rs 46.98 lakhs in the preceding year. The profit, after meeting tax liability, was still higher at Rs 20.49 lakhs as compared to Rs 15.82 lakhs in 1974-75. After transferring Rs 1.68 lakhs from development rebate reserve, the disposable surplus amounted to Rs 22.17 lakhs. The proposed final dividend will absorb Rs 7.04 lakhs. A sum of Rs 1.50 lakhs was transferred to debenture redemption reserve while an amount of Rs 13.63 lakhs was appropriated to general reserve No 1.

Marked Improvement

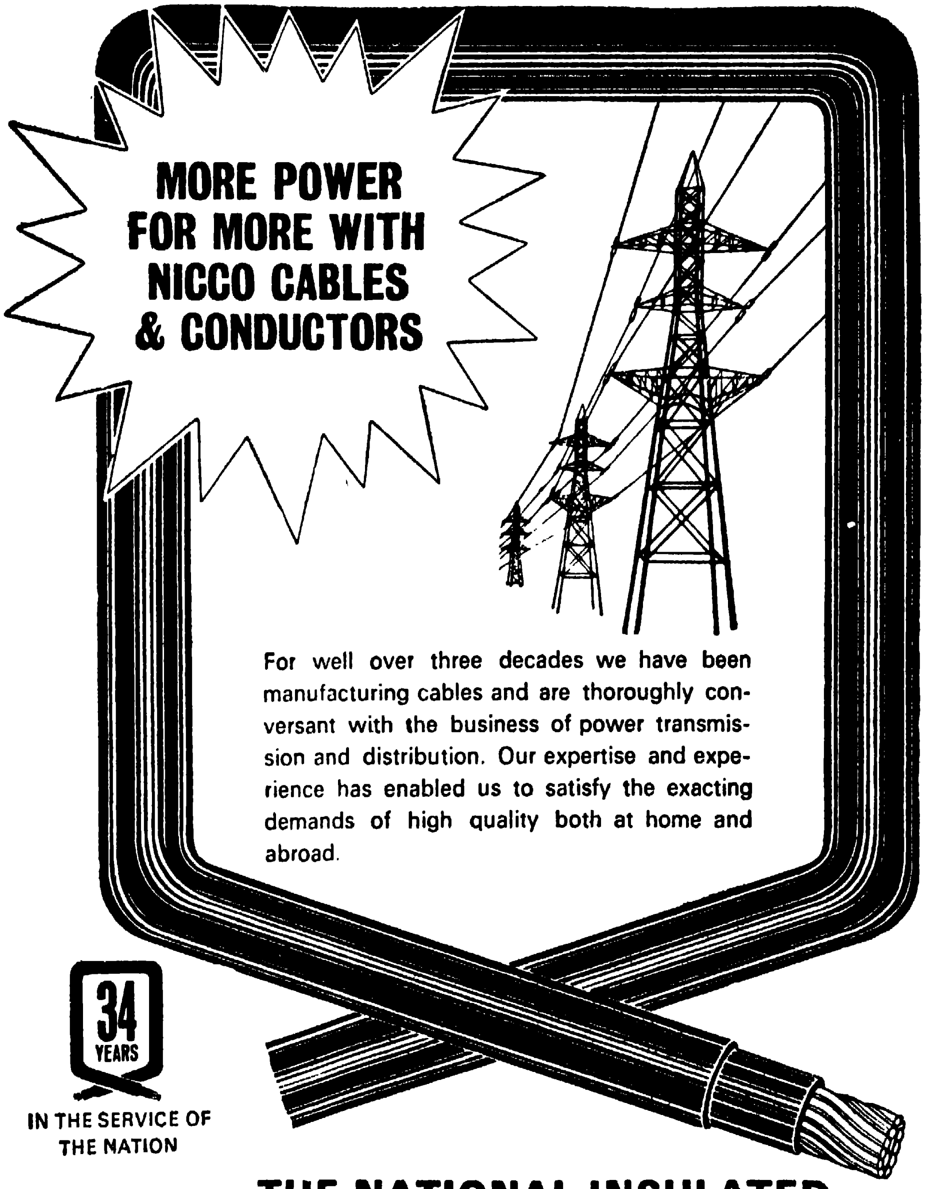
In view of the marked improvement in the trading results, the directors have recommended a final dividend of eight per cent. This together, with the interim dividend of six per cent (Rs 5.28 lakhs) paid previously out of the general reserve No 1 makes a total of 14 per cent (Rs 12.32 lakhs) for 1975-76 as against 12 per cent paid in the previous year.

The export performance of the company during the under review was very satisfactory. Exports during 1975-76 were higher at Rs 54.54 lakhs and it outstripped the previous year's figure by as much as Rs 34.39 lakhs. The company has well exceeded the minimum export requirements laid down by the government of India.

Syndicate Bank

New credit schemes to help poor farmers, artisans and other weaker sections have been evolved by the Syndicate Bank, as part of a vigorous drive to implement the new economic programme. In Tamil Nadu, the Bank has given financial assistance to the tune of nearly Rs 2 crores for productive economic activities in the twelve months since the launching of the programme.

The special schemes are designed to cover the credit requirements of craftsmen and artisans without insisting on any margin from the borrowers. These schemes include the provision of financial assistance to the released bonded labourers to take up activities allied to agriculture such as dairy farming and sheep rear-



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ing, and to meet credit needs of agricultural labourers.

Nearly 20,000 poor farmers and artisans in the state have been given financial assistance amounting to Rs 1.3 crores to clear their rural indebtedness and to start productive activities. Farmers have also been assisted with an advance of nearly Rs 5 lakhs for digging wells and installing pump-sets.

In the handloom sector, the Bank has given credit facilities to the tune of Rs 1.83 lakhs to handloom weavers in the state with a view to improve their economic conditions.

Financial assistance amounting to more than Rs 4 lakhs has been given by the Bank to agricultural labourers and landless workers in the state who have been allotted house sites and surplus land by the government. Released bonded labourers have received an advance of Rs 21,000 for taking up economically productive activities.

The Bank has also provided financial assistance of nearly Rs 18 lakhs to more than 500 retail traders dealing with the supply of essential commodities. It has also given loan assistance amounting to Rs 19,000 to consumer co-operatives and similar institutional retail outlets for distribution of essential commodities at fair prices.

The Bank has also extended loan assistance to the tune of nearly Rs 1 lakh for supplying books and stationery to students. An amount of Rs 18,000 has been advanced to single truck operators in the state holding national permit.

News and Notes

A new shipping company, promoted by Bharat Steel Tubes Ltd, which will be known as **Raunaq Shipping Company** has been registered in Bombay.

The venture will involve an initial capital cost of Rs 20 crores, comprising Rs 18 crores as loans from financial institutions and Rs 2 crores as equity capital. While shares worth Rs 1.3 crores will be offered to the public, the promoters will subscribe to shares to the extent of Rs 70 lakhs.

Raunaq Enterprises has taken over the Holiday Inn of Agra, a five-star luxury hotel, with effect from November 1. It overlooks the Taj Mahal. The hotel has been established under a licensing agreement with Holiday Inns Inc of the USA, the largest hotel chain in the world. The new management is planning to increase the rooms to 200.

New Issues

Citurgia Biochemicals promoted by Bombay Dyeing and Manufacturing Co Ltd and Sturdia Chemicals in collaboration with John and E Sturge Ltd, UK, is setting up a new Rs 7.80-crore project near Surat in Gujarat for manufacturing citric acid by the deep fermentation process using sugarcane molasses. The British firm, a leading manufacturer of citric acid, will be providing the technical knowhow. The company is holding an industrial licence for manufacture 3,000 tonnes of citric acid per annum.

The industries directorate of the Gujarat state has agreed to allot about 10,000 tonnes of molasses per annum for the company's project from the 1976-77 sugar crushing season onwards. The plant is scheduled to commence trial runs by mid-1977 and go into commercial production shortly thereafter.

The capital outlay on the project is estimated at Rs 7.80 crores. It will be met by the share capital of Rs 3 crores and term loans of Rs 4.80 crores. Out of the equity capital of Rs 3 crores, the three promotors will take up shares worth Rs 1.70 crores while John and E. Sturge will be allotted shares to the tune of Rs 1.10 crores towards the payment of imported plant and equipment. The company will be making a public issue of Rs 1.30 crores, all in equity shares of Rs 10 each for cash at par in January 1977.

Capital and Bonus Issues

Consent has been granted to seven companies to raise capital of nearly Rs 52.29 million. Permission was refused in one case and proposals of two companies to issue capital have been acknowledged. The details are as under:

Hovanesian Brothers Ltd, Calcutta, has been accorded consent, valid for six months to capitalise Rs 37,500 out of its general reserve and issue fully paid equity shares of Rs 25 each as bonus shares in the ratio of one bonus share for every two equity shares held.

Cadila Chemicals Pvt Ltd, Ahmedabad, has been accorded consent, valid for six months, to capitalise Rs 250,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for each equity share held.

The New Great Eastern Spg and Wvg Co Ltd, Bombay, has been accorded consent valid for six months, to capitalise Rs 3.5 million out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for each equity share held.

Karnataka State Industrial Investment and Development Corporation Limited, Bangalore, has been accorded consent, valid for 18 months, to the issue of debentures of Rs 20 million to be privately placed with banks/financial institutions. The proceeds of the issue are required to augment the corporation resources.

The Indian Hotels Co Ltd, Bombay, has been accorded consent, valid for six months, to capitalise Rs 7.20 million out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of two bonus shares for every five equity shares held.

Modella Woollen Limited, Bombay, has been accorded consent, valid for six months, to capitalise Rs 1.30 million out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for every six equity shares held.

Sree Rayalaseema Paper Mills Limited, a public company having a paid up capital of Rs 1940.80 million has been accorded consent for issue of additional equity capital of Rs 20 million in equity shares of Rs 10 each for cash at par, privately to the promoters, directors, their friends and relatives. The proceeds will be utilised for meeting a part of finance required for the manufacture of paper grade pulp and writing and printing paper. The consent order is valid for 18 months only,

Shree Bhawani Cotton Mills and Industries Limited, Calcutta, a public company has been rejected permtision for issue of bonus shares of Rs 3.5 million.

Vidyut Steel Limited, has communicated to government of its proposals to issue capital under clause 5 of the Capital Issues (Exemption) Order, 1969 for Rs 6.40 million (inclusive of the capital already raised) in 640,000 equity shares of Rs 10 each for cash at par, out of which shares worth Rs 3.136 million will be offered to the public by a prospectus, to meet a part of finance required for the manufacture of alloy steel castings and nihard castings.

Sahney Paris Rhone Limited, has communicated to government of its proposals to issue capital under clause 5 of the Capital Issues (Exemption) Order, 1969 for Rs 3.70 million (exclusive of the capital of Rs 3.30 million already subscribed) in 245,000 equity shares of Rs 10 each and 12,500, 11 per cent cumulative redeemable preference shares of Rs 100 each for cash at par, to the public by a prospectus, to meet a part of finance required for the manufacture of alternators/generators/starters etc.

New Registrations

Two hundred and thirty three companies were registered in India under the Companies Act, 1956 during June 1976, as compared to 237 in the previous month. Of these 233 companies, 225 were limited by shares, seven were with unlimited liability and one was a guarantee company. The total authorised capital of the 225 companies limited by shares amounted to Rs 18.88 crores and of the seven companies with unlimited liability to Rs 1.40 lakhs.

Of the companies limited by shares, four were government companies with an authorised capital of Rs 1.98 crores and 221 were non-government companies. Of the non-government companies, 14, were public limited and 205 were private limited with an authorised capital of Rs 5.84 crores and Rs 11.06 crores respectively.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for Current year	Equity dividend declared for Previous year
Higher Dividend			
Golden Tobacco	June 30, 1976	12.0	Nil
Periar Chemicals	June 30, 1976	20.0	12.0
Madras Safe Deposit	June 30, 1976	20.0	11.0
Kirloskar Electric Co.	June 30, 1976	14.0*	12.0
Electrical Manufacturing Co.	May 31, 1976	6.0	Nil
Kirloskar Oil Engines	June 30, 1976	12.0	6.5
Same Dividend			
Bharat Bijlee	June 30, 1976	12.0	12.0
Andhra Cement	March 31, 1976	Nil	Nil
Tuticorin Spg.	March 31, 1976	Nil	Nil
Oriental Hotels	June 30, 1976	Nil	Nil
Upper India Bearing	March 31, 1976	Nil	Nil
Crompton Greaves	June 30, 1976	15.0	15.0
Reduced Dividend			
Associated Cement Companies	July 31, 1976	12.0	14.0

* In addition to one-for-two bonus issue.

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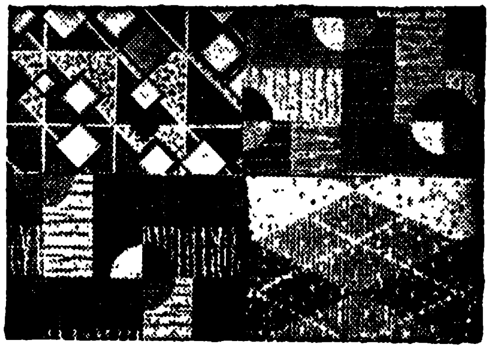

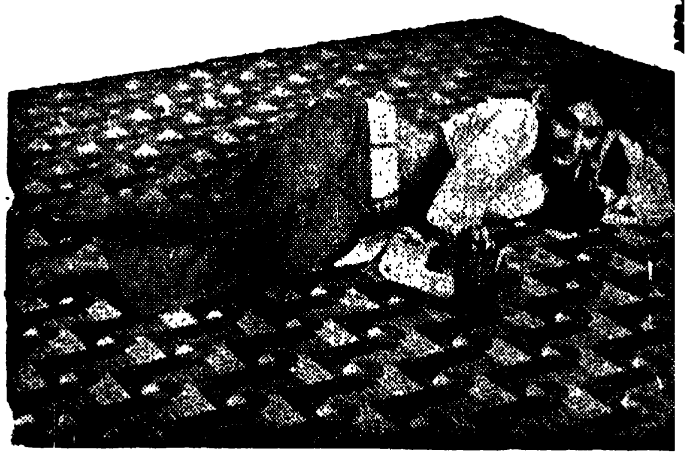

Convention on productivity

The prime minister, Mrs Indira Gandhi, who inaugurated the two-day National Convention on Productivity organised by the National Productivity Council, Delhi Productivity Council and local Productivity Councils, suggested to industry to think of giving long-term productivity incentives to labour in place of the old illogical bonus system.

THE PRIME minister said that linking productivity and bonus ensures to workers a fair share of the fruits of increased efficiency. She added that through proper explanation and education workers would recognise that the future could be built only through higher efficiency and increased social savings.

The national convention has suggested that the system of integrating productivity plans with national plans of economic development should be evolved. It has also recommended that productivity plans should cover all sectors of activity and not only the industrial sector.

Productivity programmes, it was stressed, had to be derived from the national plan so that they did not run counter to the plan but formed an integral part of it. The national planning, it was emphasised, must be the means of integrating corporate plans.

The National Convention on Productivity made the following recommendations to the government, management, trade unions and National Productivity Council :

Recommendations to Government

(1) To achieve the national socio-economic objectives, it is necessary to increase productivity in all the sectors of the nation's economy. The government may, therefore :

(a) Evolve a system of integrating productivity plans with national plans of economic development. It is necessary to develop industry-wise productivity plans to indicate production targets, reduction in costs and the additional investments to be made for achieving the desired output. For this, it would be useful to establish industry-wise **productivity boards** for the core-sector industries.

(b) Government may review the cost and prices structure, so that even during recessionary periods the prices of essential goods do not increase.

Productive Steps

(2) In order to create a favourable atmosphere for productivity, the government may:

(a) Evolve a suitable national wage policy for similar occupations in different industries.

(b) Take adequate measures so that existing industries utilise their installed capacity to the full.

(c) Take appropriate steps to see that wherever possible the existing units are expanded, rather than new units are set up.

(3) The government may encourage the setting up of new enterprises in rural areas which are labour-intensive rather than capital intensive.

Recommendations to Management

1. The task of raising productivity is primarily a responsibility of management. The management should, therefore:

(a) Not only concentrate on increasing production, but also produce qualitative goods at reasonable prices by adopting appropriate technology.

(b) In adopting improved technology, management should in no case retrench labour. Management should go in for diversification and expansion of the units so as to utilise the surplus labour in productive manner.

(c) The management should also see that the employment potential is maintained so as to achieve the goal of full employment.

(d) Management should wherever possible set up an R & D cell to make use of the results of research and development carried out elsewhere.

(e) Management should conserve non-replenishable resources and use them economically and judiciously. There should be optimal use of all factors of production and inputs so as to achieve efficiency all along the line of production.

(f) Management should pay special attention to the maintenance of plant and equipment as it contributes to more productivity.

Waste of precious raw materials should be avoided and recycling of wastes like fly-ash, scrap of steel, coal, paper, cement, power, etc, should be extensively done.

2. Labour is a partner in production. Therefore, the human resources should be properly motivated.

3. In the new atmosphere prevailing, management should introduce a decentralised organisational structure and encourage consultation and seek-cooperation with the workers through participation in decision making. This would contribute possibility towards enhancing productivity through direct involvement in achieving desired corporate objectives.

Recommendations to Trade Unions

(1) Trade unions can play a vital role in raising enterprise-level productivity. Trade unions should come forward to lend their whole-hearted support to the government and management to raise the productivity of the enterprise as well as the productivity of workers. Workers' education plays a vital role in this regard. Union leaders should motivate their fellow-workers to undergo training programmes and improve upon their skills which would go a long way in increasing productivity. Institutions can be set up at various places under the aegis of trade

unions to educate and train the workers in different regions.

(2) Trade unions should enter into long-term productivity agreements with management as a means of contributing towards national economic growth.

(3) To make workers' participation in industry and management fruitful, trade unions may consider training of their members in management principles including the concept and techniques of productivity. This would enable them to participate in decision making with the other members of management. In this regard, the services of NPC/LPCs may be utilised by them in an increasing measure.

Recommendations to NPC

(1) NPC should maintain a close liaison with the Planning Commission to bring about integration of productivity plans with the national plans for achieving steady increase in productivity and economic growth.

(2) NPC should expand further its services and devote attention to public administration, public utilities, welfare services, etc. Special attention may be given to government administration, hospital and educational institutions.

(3) Apart from conducting examination for supervisors, NPC should hold suitable training programmes to educate the workers at all levels.

(4) Productivity movement is to generate an all round concern for excellence and help the creation of productivity oriented work culture. NPC should play a vital role in motivating workers and increasing productivity collectively. NPC should also make efforts to evolve a total rual development/management programme. In this regard, NPC should emphasise application of modern scientific method to agriculture.

(5) If the national economy has to be strengthened through higher productivity it cannot be done on the industrial front alone; the rural front is vitally important. The NPC and the LPCs have to play a significant role in improving the standard of life of the people. Such endeavour must also take into account the need for improving the productive performance of of the less privileged sections of the society.

(6) Government and its agencies should encourage the application of productivity techniques of agriculture. Multiple cropping, productive use of land, use of various plant protection chemicals, fertilizer, inexpensive methods of transplanting paddy, simple implements for ploughing, etc are some of the areas where NPC can play a vital role.

(7) NPC may undertake research studies on subjects like linking bonus to productivity and reduction in wage disparities, survey industry-wise productivity trends and evolve a system of annual productivity audit at the unit level.

In view of the expanded role of National Productivity Council and local productivity councils' efforts may be made to provide them with more financial assistance.

Employment strategies to develop Asia

In a paper recently prepared by the Federation of Indian Chambers of Commerce and Industry (FICCI), an attempt has been made to assess why employment opportunities in Asian countries have not increased so as to absorb the growing working force. The FICCI comes to the conclusion that in this part of the world, emphasis will have to be put in the coming years on labour intensive production on the one hand and labour intensive technology on the other to achieve the desired objective. Given below is the summary of the analysis made in this paper and also the conclusions which the FICCI has arrived at.

THE DEVELOPMENT processes in the countries of the Asian region, have not resulted in creating adequate productive job opportunities. Unemployment in this region varies between 5 and 10 per cent of the labour force. The strategy for resolving this problem has to combine the various domestic programmes and international cooperation. One thing however is clear that a conscious employment programme of action supported by national and international policies will have to be adopted which will put adequate emphasis on labour intensive production on the one hand and labour intensive technology on the other. The establishment and modernisation of small and medium-sized enterprises in rural as well as urban sectors will increase the volume of employment. Finally, it must be admitted that integrated development can be achieved only so far as equal priority is attached to the social, economic and political aspects of development. The following conclusions have to be viewed in this background:

(a) In agriculture the policy in regard to tenancy, land distribution, provision of inputs, etc will have to be re-examined with a view to improving productivity and enhancing employment potential.

(b) The degree of utilisation of capacity in industry, which has been at a significantly low level in most of the countries, has to be increased. Also, almost all industries must be made to work on multiple shift basis. Policy restrictions, which have tended to block expansion and diversification, have to be removed. Industries with higher employment potential will have to be given greater preference.

(c) Public works programmes, including construction of roads, have large unexplored employment potential. Such programmes also create spread-effects which generate employment opportunities in other related sectors. However, there has to be a close coordination between short and long term projects to avoid dislocation.

(d) The services sector is essentially labour intensive. In the Asian region the development of services like education, health, housing, transportation, etc, can create tremendous employment opportunities to educated and uneducated persons. Compulsory primary and secondary education would go a long way in giving relief to educated unemployed.

(e) The programmes of development in agriculture, industry and services have to be stimulated through proper fiscal and monetary policies. The whole system of taxation will have to be reshaped to favour employment oriented economic growth. There has to be stimulus to investment in rural areas, domestic production of capital goods and equitable distribution of tax burden between rural and urban sectors. The rate of interest could also be used to advantage to exercise greater economy in the use of capital. In the alternative, tax incentives for larger employment can be devised.

(f) There has not been enough research in the evolution of profitable labour intensive technology. Such research has to be encouraged by granting subsidies to trade and research associations to develop technology which would suit the conditions in developing countries of the Asian region.

(g) There has to be larger exports of labour intensive manufactured and semi-manufactured goods to developed countries. That is possible if the developed countries specialise in more sophisticated items leaving the manufacture of less sophisticated items to developing countries.

Foreign Capital

(h) The amount of foreign aid given by developed countries has been too small to meet the development needs of the Asian region. The resources of developing countries can be effectively supplemented by private foreign capital playing its due part. This is important, particularly because foreign private capital also brings in experience, expertise and technology. While foreign capital has to be treated fairly, it has to willingly adjust itself to national conditions and aspirations so as to ensure that production is oriented towards major national goals.

(i) In some of the countries in the Asian region, there is shortage of technical manpower while others are saddled with surplus. A greater mobility of technical personnel across international borders would bring better balance between needs and availability.

Promising Scope

(j) There is a promising scope for mutual economic cooperation among Asian countries for accelerating the pace of their economic advancement as well as for promoting *inter-se* trade. Efforts are increasingly being made to bring this about, though much needs to be done. Such arrangements as have already been made in the form of Association of South East Asian Nations (ASEAN), South East Asian Ministerial Conference (SEAMIC), the Asian and Pacific Council (ASPAC) and the Regional Economic Cooperation for Development (RCD) are more in the nature of sub-regional groupings. A unified and integrated arrangement for mutual economic cooperation within a wider framework of the Asian regions as a whole has yet to be evolved to give a real thrust to the various socio-economic problems facing the developing countries of Asia. The CACCI, with its broader outlook of membership can do a great deal in forging new and lasting economic links among the countries of the region. And this will undoubtedly pave the way for greater cooperation and collaboration as well as larger commercial exchanges between them.

(k) Trade with centrally planned economies can be significantly improved if an institution for multilateral payments is devised. It should also be possible to invite larger investment from these countries on a product sharing basis.

(l) The Asian region should make working arrangements with the OPEC countries for utilisation of excess funds with the middle east countries. These will supplement national savings and heighten the growth process.

TABLE IV

National Income

(Region-wise)

Region or Country	GNP per capita (US $)	GNP (US $000 millions)	Population (millions)
North America	6,130	1,425	233
Oceania	3,400	71	21
Europe, excluding USSR	2,990	1,516	507
USSR	2,030	506	250
Middle East	1,080	82	76
South America	840	170	203
Central America	800	79	99
Africa	290	114	392
Asia, excluding Japan	200	399	1,947

TABLE V

Income shares before tax in selected countries in Asia by income group of households

Country	year	Per capita GNP in 1971 (US dollars)	of households		
			Lowest 40%	Middle 40%	Top 20%
Burma	1958	82	16.5	38.7	44.8
Sri Lanka	1969	95	17.0	37.0	46.0
India	1964	99	16.0	32.0	52.0
Pakistan & Bangladesh	1964	100	17.5	37.5	45.0
Thailand	1970	180	17.0	37.5	45.5
Korea, Republic of	1970	235	18.0	37.0	45.0
Philippines	1971	239	11.6	34.6	53.8
Malaysia	1970	330	11.6	32.4	56.0
Japan	1963	950	20.7	39.3	40.0
Australia	1968	2509	20.0	41.2	38.8
New Zealand	1969	2859	15.5	42.5	42.0

Source: Report of ILO Director General to Eighth Asian Regional Conference.

TABLE I

Unemployment in Selected Countries of Asia

	1965	1968	1970	1972	1974
Burma	31,298	70,109	70,446	1,08,151	1,18,207
India	25,26,960	29,02,801	37,25,660	59,27,622	83,78,276
Japan	3,90,000	5,90,000	5,90,000	7,30,000	7,20,000
Rep. of Korea	6,53,000	4,92,000	4,54,000	4,99,000	4,94,000
Malaysia	93,008	1,27,575	1,69,326	1,60,750	1,34,532
Pakistan	1,82,899	1,81,347	2,28,792	1,57,401	1,89,638
Singapore	54,364	65,361	50,484	36,203	32,523
Indonesia	83,353	45,837	13,252	90,832	—
Philippines	8,55,000	10,53,000	7,00,000	9,83,000	7,25,000
Thailand		—	—	85,470	73,890

Source : Year Book of Labour Statistics—ILO 1975. Figures as per Live Register of Employment Exchange.

TABLE II

Preliminary Estimates of Unemployment and Under-Employment in Developing Countries, by Region—1975 (in millions)

Region	Unemployment[1]				Under-Employment[2]				Total			
	Total		Urban		Total		Urban		Total		Urban	
	Nos.	%	Nos.	%	Nos.	%	Nos.	%	Nos.	%	Nos.	%
Asia[3]	18	3.9	6	6.9	168	36.4	20	23.2	186	40.3	36	30.1
Africa	10	7.1	3	10.8	53	37.9	7	25.1	63	45.0	10	35.9
Latin America	5	5.1	5	6.5	28	28.9	14	22.8	33	34.0	19	29.3
Oceania	—	—	—	—	1	49.0	—	—	1	49 0	—	—
Total	33	4.7	14	8 0	250	35.7	41	23.3	283	40.4	55	31.3

[1] Defined as "persons without a job and looking for work".

[2] Defined as "persons who are in employment of less than normal duration and who are seeking or would accept additional work" and "persons with a job yielding inadequate income".

[3] Excluding China and other Asian centrally planned economics.

Source : ILO Bureau of Statitics.

TABLE III

Mass Poverty in Selected Countries in Asia, 1969 (Incomes in US Dollars of 1971 Purchasing Power)

Country	1969 GNP per capita	1969 population (millions)	Population below US $50		Population below US $75	
			Millions	per cent of total population	Millions	per cent of total population
Burma	72	27.0	14.5	53.6	19.2	71.0
Sri Lanka	95	12 2	4.0	33.0	7.8	63.5
India	100	537.0	239.0	44.5	359.3	66.9
Pakistan and Bangladesh	100	111.8	36.3	32.5	64 7	57.9
Thailand	173	34.7	9.3	26.8	15.4	44.3
Korea, Republic of	224	31.1	1.7	5.5	5.3	17.0
Philippines	233	37.2	4.8	13.0	11.2	30.0
Malaysia	323	10.6	1.2	11.0	1.6	15.5
Iran	350	27.9	2.3	8.5	4.2	15.2

Source : ILO Director-General Report to Eighth Asian Regional Conference.

TABLE VI

Growth of Population and Agricultural Production, 1960-75

Country	Population 1972 (millions)	Population growth (annual average rates)		Growth rates of agricultural production (annual percentage change in constant prices)	
		1960-70	1970 75 (projected)	1960-70	1970-73
Afghanistan	17.9	2.1	2.6	1.5[5]	4.7
Bangladesh	60.7[1]	2.6	3.0	1.9	2.6
Bhutan	1.0[2]	—	—	—	—
Burma	28.9[3]	2.3	2.4	1.0	0.3
Brunei	0.1	4.7	2.0	—	—
China	800.7	1.7	1.7	—	—
Hong Kong	4.1	2.5	1.4	4.0[6]	5.5[8]
India	563.5	2.4	2.5	2.9	1.1
Indonesia	121.6	2.6	2.6	2.5	1.3
Iran	30.6	2.8	3.0	4.1	1.0
Khmer Republic	6.7[2]	2.7	2.5	3.7	—15.0
Korea, Democratic People's Republic of	14.7	2.8	2.7	—	—
Korea, Republic of	32.4	2.2	2.0	4.7	2.5
Laos	3.1	2.7	2.1	6.2[5]	0.9
Malaysia	10.9	2.9	3.0	6.0	7.2
Mongolia	1.3	3.0	3.0	—	—
Nepal	11.5	2.0	2.3	1.5[5]	2.6
Pakistan	64.9	3.1	3.1	6.5	0.8
Philippines	39.0	3.3	3.4	3.9	3.2
Singapore	2.2	2.4	1.6	7.0[6]	7.0[8]
Sri Lanka	13.0	2.4	2.3	3.5	—2.2
Thailand	36.3	3.2	3.4	4.6	4.4
Viet-Nam, Democratic Republic of	22.0	2.8	2.4	—	—
Viet-Nam, Republic of	18.84	2.5	1.8	0.6	3.7

[1]1970. [2]1969. [3]1973. [4]1971. [5]1963-63-70. [6]1961-70. [7]Preliminary estimates. [8]1970-72.

Source: United Nations: 1974 Report on the World Social Situation.

TABLE VII

Level and growth of real output 1963-73

Country/Area	GNP per capita 1971 (US dollars)	Growth of GDP (annual average rates)		Growth of GDP per capita (annual average rates)	
		1963-68	1968-73	1963-68	1968-73
Afghanistan[2]	80	1.4[3]	3.6[4]	—0.6[3]	1.6[4]
Bangladesh	70	4.5	0.2	2.6	—2.4
Bhutan[2]	80	1.6[3]	2.1[4]	—0.1[3]	0.4[4]
Brunei[2]	1370	1.9[3]	7.1[4]	—1.6[3]	3.4[4]
Burma	80	2.9	4.4	0.6	2.0
China, People's Republic of	160	8.7[3]	9.2[4]	6.8[3]	7.3[4]
Fiji	470	5.8	7.2	1.4	3.2
Hong Kong	900	9.2[3]	7.7[4]	6.1[3]	5.6[4]
India	110	2.9	3.2	0.5	0.6
Indonesia	80	3.5	7.0	2.8	4.2
Iran	450	10.9	12.4	7.9	9.2
Khmer Republic	130	3.4	—4.1	0.7	—6.7
Korea, Democratic People's Republic of	310	8.6[3]	7.4[4]	5.8[3]	4.5[4]
Korea, Republic of	290	8.5	11.1	6.2	8.9
Laos[2]	120	2.6[3]	6.0[4]	0.2[3]	3.5[4]
Malaysia	400	5.2	6.5	2.0	3.4
Maldives[2]	90	1.4[3]	0.3[4]	1.6[3]	0.7[4]
Mongolia[2]	380	0.4[3]	4.3	—3.4[3]	1.4[4]
Nepal	90	1.8[3]	2.4[4]	0.0[3]	0.6[4]
Pakistan	130	7.3	4.8	4.0	1.4
Philippines	240	4.6	6.7	1.3	3.1
Singapore	1200	8.7	10.7	6.3	8.9
Sri Lanka	100	5.0	3.1	2.6	0.8
Thailand	210	8.6	5.5	5.2	2.2
Viet-Nam, Democratic Republic of	100	6.8[3]	4.9[4]	3.3[3]	2.7[4]
Viet-Nam, Republic of	230	1.4	4.7	—1.0	2.7

[1]In constant market prices. [3]GNP 1960-65.

[2]Tentative estimates. [4]GNP 1965-71.

Source: United Nations: 1974 Report on the World Social Situation, Part One, Regional development.

TABLE VIII

Share of Industry and Agriculture in National Income

	Per cent to GDP	
	Agriculture	Industry
Afghanistan	51	12
Bangladesh	56	9
Burma	38	12
India	44	14
Indonesia	40	18
Korea, Republic of	26	29
Malaysia	31	22
Pakistan	34	16
Philippines	28	20
Viet-Nam, Republic of	29	7

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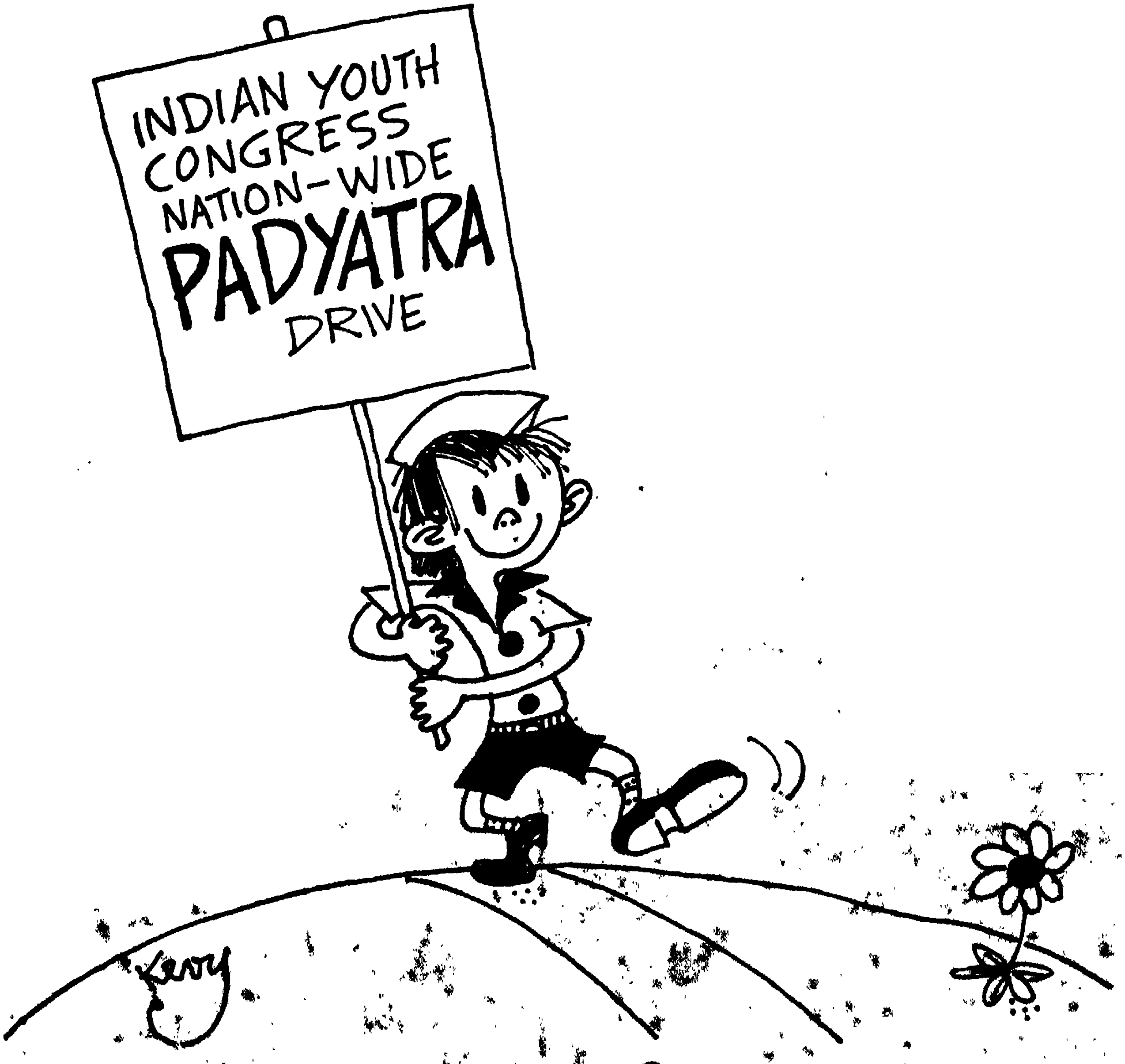
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Leading Articles

Thinking Again 1077
Indo-Polish Cooperation 1078
Problems of Plenty 1079
TIIC's Role in Industrialising Tamil Nadu 1080

Capital's Corridors 1082

Point of View

Adoption of Non-Traditional Inputs --Dr P.V. Krishna & R.S Chauhan 1084
State Financial Corporations and Commercial Banks —P.V. Krishna Rao & G. Prasad 1085

Window on the World

Future Hike in Oil Prices? --E.B. Brook 1089
Balancing Government and Business Responsibilities—Richard M. Thomson 1090

Books Briefly

Poverty in the Third World --Academicus 1094
Industrial Licensing—Ganapathy Sarma 1102
Advertising and Communication —Ananda Mukerji 1102
Books Received 1103

Trade Winds
Import Policy Liberalised; Alloy Steel; Steps for Forward Remittances; Tax Agreements; Family Planning for Govt Employees; Import of Staple Fibre; Decentralisation of Polyester Imports; PNB Defence Pension Scheme; Rural Savings; Industrial Production; Assistance from Poland; Trade with Brazil; Names in the News 1104-1107

Company Affairs
Bajaj Auto; Neiveli Ceramics; ACC; NGEF; Warner Hindustan; News and Notes; New Issues; Capital and Bonus Issues; Dividends 1109-1112

Company Meetings

Calcutta Electric Supply Corpn Ltd. 1113
NGEF 1114

Records and Statistics

Foreign Collaborations 1116

Thinking again

The seminar of Indo-German Economic Relations held in the capital on November 29 and 30, spotlighted not only the growing bilateral trade between the two countries but also the numerous possibilities of collaboration between enterprises of the two countries, and the role of the European Economic Community in general and that of the Federal Republic of Germany in particular in coming up to the expectations of the developing countries including India in the realisation of "the new economic order". It was no longer merely a question of increasing the flow of aid from West Germany to this country as at best it could operate as a catalytic agent; the bulk of the investment would have in any case to emerge from the savings of our own people. The emphasis in the seminar was on the new trends in the transfer of technology because this country had already acquired a solid base in various industries and was in need of evolving a cooperative process for drawing upon German expertise in the sophisticated areas of industry. The seminar provided a forum for both Indian and German experts to think again about the evolution of new channels of collaborative effort leading to satisfactory results for both the countries.

Mr T.A. Pai, the union minister for Industry, was at his usual best when he attempted to define the underlying objective of strengthening the economic relations between the two countries. This country, he said, had already set the goal of self-reliance which meant the ability to be able to pay for imports through exports. That was the long-term target though in the short-term this country would continue to bridge the gap in trade through foreign assistance and the flow of foreign investment. But our country had already formulated a policy in regard to joint collaborations between Indian and foreign enterprises and he was sure that the recent improvements in the economic scene would be found attractive enough by the German industrialists. The plus points in the economic situation, in his view, were powerful incentives in themselves.

Referring to the fast expansion in the German economy, Mr Pai said that it was the hard work, discipline and dedication of the German people which had resulted in immense prosperity. These were the qualities in the character of the average German which needed to be imbibed by the people in this country. The German economy owed a debt for its economic miracle as much to its disciplined population as to the sophisticated and innovative technology evolved in its laboratories and research institutes. The Indian visitors to Germany tended to forget the hardships which the people had faced in the post-war days, and on which the pyramid of their present prosperity was based.

The ambassador of Federal Republic of Germany, Mr Guenter Diehl, was hopeful of steady expansion in economic relations between the two countries "on the basis of a relatively high common denominator". Analysing the recent trends in the economies of the industrially advanced countries including that of the Federal Republic of Germany, he said that the economic boom in these countries was petering out and that the threat of the OPEC nations to further escalate the oil prices was likely to give a serious jolt to the economies of both the developed and developing countries. Just as both India and the Federal Republic of Germany had faced the problems created by the hike in oil prices two years ago boldly and had come off with flying colours, he was sure that the challenge of the further increase in oil prices would find both the countries strong enough to face it with courage.

Dr Bharat Ram in his presidential remarks dilated upon the changed economic climate in this country, particularly the availability of cheap as well as efficient labour. The prospects of completing joint projects in third countries had significantly improved in recent years, he said. Moreover, the liberal schemes initiated by the government of India to encourage foreign participation in export-oriented industries offered encouraging opportunities. He saw good scope for further expansion in economic relations between the two countries and made the point that steps would have to be taken to improve the terms of trade which had hitherto operated against India. This would be increasingly possible when the structure of Indian exports to West Germany changed, and the share of non-traditional items in the export list went up.

The role of the Indo-German Chambers of Commerce and Industry in cementing the bonds between the two countries was appreciated by many a participant. The consensus was that the fund of goodwill between the two countries was large enough to lead to new heights of participation in different fields of industry and trade.

Indo-Polish cooperation

THE FINDING of the 13-member delegation of Indian industry and business, led by Mr J. Desai, which visited Poland recently to explore the possibilities of fostering trade and economic co-operation between the two countries, that the Indian businessmen, by and large, tended to disregard genuine suggestions or criticism of the Polish purchasing organisations after effecting substantial exports to them and also paid inadequate attention to after-sales service, indeed, is disconcerting. This shows lack of genuine interest among many of our businessmen and industrialists in stepping up exports. It is all the more regrettable that such complaints continue even though these aspects of export trade have been emphasised ad nauseam for the past few years. It goes without saying that if the country is to build up abroad its image as an industrial nation and exporter of manufactured products, strenuous efforts will have to be made for not only catering for the specific requirements of the foreign customers but also to provide adequate after-sales service in the case of engineering products. Vigorous follow-up measures too are to be taken if trade relations have to be put on a sound footing and the trade contracts are not to be treated as ad hoc deals.

It, of course, is encouraging to note that despite the above lags on the part of Indian businessmen and exporters to Poland, there continues to be tremendous goodwill and friendship in that country for us. This obviously needs to be strengthened further so that trade and economic relations between the two countries can multiply fast. The observation of the delegation that the Polish government is consciously following a policy of stepping up its imports from developing countries and aims at quadrupling them percentage-wise in the near future, as also such other findings as a progressive and increasing demand for consumer products in Poland, the genuine efforts of that country to substitute imports from hard currency areas by those from the rupee payment areas and general acceptance of Indian products on account of their quality, should provide a shot-in-the-arm to Indian exporters.

residential flats

Very significantly, the delegation refers in its report to the Polish programme of constructing by 1980 an additional 1.5 million residential flats. The delegation points out quite appropriately that this programme can be availed of by our exporters of a large variety of items, including fabrics, upholstery, linen, carpeting. kitchenware, sanitaryware and consumer durables — almost every thing that goes into construction activity and to make a normal home.

The delegation has also found that there is a minimum demand in Poland for half a million pairs of denim jeans together with jackets, ladies' trousers, skirts, etc. Among engineering products, there exists considerable scope for exporting industrial valves, forgings and electrical and pneumatic power tools. Besides exports of handicrafts, leather goods including shoes and uppers, cotton garments, synthetic fabrics, cotton greys, plastic household articles, sports goods, etc, are said to have good potential. Various other products of our engineering industry than those mentioned above, the delegation points out, also can be exported to Poland, provided, of course, on a reciprocal basis, several types of Polish machinery and equipment can be imported by us. The items particularly mentioned in this regard are machine tools, textile machinery, petrol dispensing pumps, drilling equipment, diamond core drills, tyre curing presses, etc.

joint ventures

Much more significant, however, is the assessment of the delegation about the establishment of joint ventures with Polish collaboration not only in this country but also in the third countries. The Polish authorities are said to have indicated that they would be prepared to participate even in the equity of the joint ventures which might be set up here with their collaboration in the export field. Three lines of manufacture have been identified in this connection. These include production of vodka and alcohol from potatoes, deep-sea fishing and pharmaceuticals. Negotiations for the establishment of such joint ventures are stated to be at an advanced stage with Indian parties which include Kelvinator of India, Escorts, Tatas and Britannia.

The two countries, it is felt, can collaborate with each other very profitably in several other countries. In such countries as Nigeria, for instance, where Poland is favourably placed, it has been indicated that Indian firms could be involved as partners. Like-wise, in the west Asian countries and elsewhere where Indian enterprises are in an advantageous position, they could accept Polish undertakings as collaborators. To be successful, dialogues for collaborations in the third countries, it may be emphasised, however, need to be started well in advance so that worthwhile packages of proposals can be drawn up in time for submission to the authorities concerned.

The two countries, indeed, can collaborate with each other in the industrial, mining and various other fields of economic activity profitably, as in India at least such collaboration has already proved quite successful. That India's competence in undertaking projects abroad is increasingly realised should be evident from the fact that not only several Indian parties have succeeded in winning turnkey projects abroad—and that too in the face of stiff international competition — but also the advanced countries of the western world are no longer averse to the percelling out of some of the contracts they have obtained for execution by Indian enterprises and also to the securing of various labour-intensive equipments which we can produce competitively to the required standards.

Problems of plenty

THE UNPRECEDENTED and unexpected heavy accumulation of stocks of wheat and rice with the Food Corporation of India (FCI) and other state agencies has given rise to furious thinking in government circles about how serious losses in storage and piling up of interest charges and other expenses in maintaining huge buffer stocks can be avoided. The union ministry of Agriculture and also the ministry of Finance should have anticipated the emergence of an unmanageable situation by the middle of 1976, even by the end of 1975, and appropriate corrective measures taken. However, having regard to the serious difficulties encountered in earlier years and the running down of buffer stocks of nine million tonnes with a severe drought in some parts of the country in 1973-74 and pruning of imports, there was no disposition to take risks again. As it was felt that abundant availability of foodgrains would effectively check inflationary pressures and depleted buffer stocks had to be rebuilt, massive commercial purchases were arranged apart from a loan of two million tonnes of wheat from the Soviet Union. It so happened that bumper food crops were harvested in 1975-76 just when large imports against commercial purposes were being received.

The officials of the union ministry of Agriculture could not visualise in their most optimistic moment that the output of foodgrains would reach an all-time high of 118/119 million tonnes. As internal consumption did not increase noticeably and there were restrictions on the movement of grains to areas outside the stipulated zones, the FCI and other agencies had to effect massive purchases which were in the nature of support operations, particularly in Punjab, Haryana and Andhra Pradesh. There has, thus, been an expansion of food credit between March 1975 and July 9, 1976 by as much as Rs 1,668 crores. It is interesting to note that the quantities procured out of the crops for the 1974-75 agricultural season did not result in any net big bulk in stocks as at the end of October 1975, the outstanding food credit was only Rs 741 crores. It is after this period that heavy purchases by the state agencies and imports have resulted in a big rise in stocks and food credit expanded by Rs 1,542 crores between October 31, 1975 and July 9, 1976. As has been indicated earlier, it is not known what was the extent of the increase on account of the imported grains being received into buffer stocks. In any case, it will be safe to presume that about six million tonnes consists of imported foodgrains and the balance of over 11 million tonnes out of buffer stocks is accounted for by internally procured foodgrains.

The increase in food credit after October 31, 1975 has been phenomenal and the FCI had to tackle extremely difficult problems in the face of unexpected plenty.

Some contingent plan could have been formulated for preventing an undue rise in buffer stocks by arranging for exports of foodgrains and freeing the restrictions on movement between different zones within the country. The formation of the Southern Rice Zone and the enlargement of North Western Wheat Zone are of course steps in the right direction. But the imposition of a levy of 50 per cent by the Andhra Pradesh government on stocks despatched by millers and traders to places outside Andhra Pradesh has not had the desired effect on the price structure in Tamil Nadu and elsewhere and has not also quickened the pace of dispersal of accumulated stocks in Andhra Pradesh. There are also reports that open market prices are still high in the statutorily rationed areas, when the central government is experiencing difficulties in disposing of its stock. The anomalies in the price structure can be eliminated as has been done in the case of wheat by increasing the quantum of rice in Bombay, Calcutta and Kerala.

Apart from these steps it has to be examined whether there can be a further freeing of restrictions on movement of rice after January when procurement operations would have gone off well. It has also been suggested by Mr L.K. Jha and others that stocks of foodgrains can be utilised for disbursing wages in kind in rural areas when executing new projects. Even in respect of existing projects in the rural areas, it may not be an impracticable proposition if a part of the wages was paid in the form of wheat or rice to workers.

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Manager

It may be said that no merit is involved in the implementation of this suggestion as the workers would be acquiring their requirements of cereals out of wages paid in cash to them. But the FCI will be ensuring a larger offtake out of the stock and also helping consumers in deficit pockets to get their needs at reasonable prices. It will also be possible to avoid the mobilisation of cash resources for the projects concerned though it may be argued that the funds released out of distribution of foodstocks in the form of wages will have to be repaid to the banks. But the projects in question would have the necessary allocations and there will be a ways and means advantage if the credits can be returned slightly delayed or the budgetary resources of the government utilised for maintaining stocks temporarily employed, if the need arose. Whatever may be the controversy in this regard, the fact cannot be denied that there will be considerable saving in interest charges and avoidance of deterioration in storage.

prohibitive expense

The expense of maintaining buffer stocks is proving to be prohibitive. This is because only a small portion may be in the form of owned funds or resources employed by the government. As on November 12, 1976, outstanding food credit was Rs 2,150.27 crores and with the suggestion of the continuing rise under this head the total may swell to even over Rs 3,000 crores by July next year even without taking into account the additions to stocks through imports. The Finance minister has actually indicated the possibility of buffer stocks rising to 22 million tonnes while they may increase to even 25/26 million tonnes on the basis of the above calculations. This projection may sound fantastic. But even government spokesmen have visualised the possibility of rice procurement amounting to five million tonnes, while wheat procurement may be easily another five million tonnes. If the growers were in a hurry to part with their stocks, the total quantity procured out of kharif and rabi crops may be even 12 million tonnes. As the offtake of grains through fair price shops cannot be more than four million tonnes, buffer stocks may reach peak levels of 25/26 million tonnes by July next, as stated above.

The interest charges and storage expenses involved in servicing these huge stocks may be easily Rs 350 crores in a year and if base stocks are maintained at high level allowance will also have to be made for wastage or loss in storage. Thus as against the food subsidy of about Rs 300 crores annually incurred so far, there is the prospect of maintenance charges alone exceeding Rs 300 crores annually if steps are not taken in time for reducing base stocks to much lower safe levels. There is no need for maintaining more than 15 million tonnes in the altered circumstances. This will call for an active policy for exporting stipulated quantities of foodgrains advantageously and also for relaxing restrictions on movement of grains. The significance of the observations of the union minister for Revenue and Banking, Mr P.K. Mukherjee, relating to the shedding of three million tonnes of grains for finding rupee resources is not clear. When other means have not been adopted, the offtake through fair price shops cannot be large. There cannot also be a return of wheat to Soviet Union as it has since been decided that the commodity loan should be repaid in cash. There is besides, the difficulty arising on account of objections that may be raised by US Administration. The various conundrums have to be properly sorted out in order to minimise the burden on the government. The least that should be done is adoption of measures which will prevent a further accumulation of stocks. There may be a differential support and procurement prices and freeing on restrictions on movement within the country. There may be also larger exports of rice while wheat may be shipped after consulting the US Administration. Some imaginative plan has to be devised for preventing an avoidable strain on budgetary resources and the logging up of huge funds out of bank deposits. It is far more important that the wastage of grain in storage should be avoided. It is only to be hoped that the union ministry of Agriculture and the ministry of Finance will formulate the desired measures without delay.

TIIC's role in industrialising Tamil Nadu

THE TAMIL Nadu Industrial Investment Corporation (TIIC) came to the rescue of the industry in the state when it was experiencing stagnation during 1975-76. Through increased disbursements and guarantees, which rose to Rs 13.13 crores in 1975-76 as against Rs 8.74 crores in the previous year, the corporation met rising financial requirements of the industry. Significantly, a drop in the applications for assistance to 577 in 1975-76 as against 689 a year before was accompanied by an increase in disbursements, reflecting the corporation's appreciation of the economic situation.

The corporation has crossed the Rs 100-crore mark in respect of financial sanctions which included Rs 71 crores of loans, Rs 15 crores of deferred payment guarantees and Rs 11 crores of shares and debentures. Maximum assistance has gone to textile units which have received a cumulative assistance over the years of Rs 26.12 crores. Other major industries which accounted for a sizeable portion of the total assistance were chemicals (Rs 11.75 crores), metal products (Rs 4.98 crores), food manufacturing (Rs 5.35 crores) and paper and paper products (Rs 5.76 crores). The sanctions to the export-oriented leather industry amounted to Rs 1.52 crores during 1975-76, the cumulative figure being Rs 3.64 crores.

It may be observed that new undertakings found it convenient to secure funds from the corporation, and took precedence over the already established units. A purpose-wise analysis of sanctions shows that 64 per cent of loans went to new undertakings during 1974-75 and 53 per cent during 1975-76. The units engaged in expansion came next with 28 per cent of assistance during 1974-75 and 38 per cent during 1975-76. There has been a marked rise in the assistance extended to the existing units during 1975-76, showing increased financial requirement to tide over the phase of stagnation. Similarly, there was an increase in the assistance granted for diversification into new lines of production during the same year. It may be added that during 1975-76, the total financial assistance granted accounted for more than 50 per cent of the total cost of the assisted projects. Assistance for new undertakings was around 47.17 per cent of the total cost of these projects, 54 per cent for those going in for diversification into new lines of production and 60 per cent for those which went in for expansion.

incentives offered

The incentives offered to units currently being established in backward districts have brought about some shift in the location of industry in the state. Nearly 50 per cent of the loans sanctioned by the corporation during the year 1975-76 went to units established in backward districts, though the cumulative figure for the year since the corporation started functioning revealed a sanction of Rs 40 crores out of a total sanctioned amount of Rs 100 crores. In other words, eight backward districts in the previous years were attracting less than 40 per cent of assistance for investment so that only in recent years the incentives have brought about the shift. It may be added, that some districts among backward areas such as Ramanathapuram, North Arcot, South Arcot and Madurai received a larger share than other backward districts. Similarly, Chingleput, Coimbatore, Madras and Salem almost monopolised the advances to industries in districts other than backward, showing industrial concentration in those areas of the state, perhaps due to better infrastructural facilities for new undertakings

The corporation's special scheme of extending financial assistanee to technocrats, rural medical practitioners and transport operators has gained momentum during 1975-76 when as many as 67 such individuals were sanctioned a sum of Rs 241.54 lakhs. A year earlier only 27 entrepreneurs were sanctioned loans to the extent of Rs 70.12 lakhs, so that apart from the increased number of participants, the average value of each loan sanctioned has also increased during 1975-76.

The number of loans sanctioned to small-scale units has also increased during the recent years so that as against 104 such loans sanctioned in 1973-74 the number increased to 370 in 1974-75 and further to 452 in 1975-76. To encourage loans to small-scale industries, a consortium scheme has been evolved in association with Small Industries Development Corporation of Tamil Nadu (SIDCO) for receiving applications on behalf of the TIIC, making preliminary scrutiny and providing technical feasibility reports. Applications for loans up to three lakhs of rupees were scrutinised by a jaint appraisal cammittee comprising technical and financial officers of both the TIIC and SIDCO. The committee visited frequently various district centres for discussions with the applicants so as to speed up disposal. Under this consortium, the entire amount of loans was financed by the TIIC, after the quality of appraisal was found satisfactory. This indeed is a good example of cooperative effort between two institutions and can serve as a model for other financial institutions.

The repayment of interest and principal has always posed some problems for most financial institutions engaged in assisting the industry. The repayments of TIIC were delayed in case of several mills which experienced difficulties in securing working capital accommodation from their bankers. For instance, textile mills defaulted to the extent of Rs 3.18 crores forming 32.8 per cent of the total overdues of Rs 9.68 crores. This was followed by the engineering industry accounting for Rs 2.19 crores (22.6 per cent). These two major industries made up 55 per cent of the total defaults. The sugar industry in Tamil Nadu has also been facing transient problems concerning production and profitability. In addition to these, two mechanised brick manufacturing units financed by the corporation have become sick consequent upon uneconomic cost of production and lack of demand for high quality bricks. The overdues from them amounted to Rs 67 lakhs. The debts considered bad and doubtful amounting to three crores of rupees included Rs 1.89 crores due from three sick textile mills which have been acquired by the central government under the Sick Textile Undertakings (Nationalisation) Act, 1974. The corporation is trying to reduce the overdues through better inspection before giving assistance and by speeding up recovery of dues.

Eastern Economist 30 Years Ago

DEC. 6, 1946

What is the extent of the control over public expenditure which an honest and conscientious legislator is able to exercise in the discharge of his duties to the tax payer? It cannot be said of the average Indian politician who takes up public work, (as Gladstone said of himself), that in the two or three months that precede the budget he has an itch to have the handling of it; but neither is the Indian legislator like Lord Randolph Churchill, who was confronted as Chancellor of the Exchequer with a row of figures containing decimals and asked to know what the "damned dots" meant. Indian politicians have got high praise from the Simon Commission which has certified their work on the Public Accounts Committees to be "detailed, jealous and enthusiastic." But expenditure control is different from post-mortem examination by the Public Accounts Committee. The constitutional set-up, at least at the Centre, does not help the effective and informed criticism of the budget and of new items by non-official members.

It is obvious that neither during the general discussion of the Budget nor during the voting of the Demands for Grants, can the Legislature devote sufficient attention to the detailed proposals for expenditure. Expenditure proposals are extremely complex and varied and the attempt to do full justice to them from the point of view of economy during the days allotted for the voting of the demands, is quite futile.

CAPITAL'S CORRIDORS

R. C. Ummat

Take-over of Caltex • Kerosene and HSD from USSR • Import liberalisation

THE LONG-AWAITED agreement on the acquisition by the government of India of 100 per cent equity of Caltex Oil Refining (India) Limited and its sister marketing company, Caltex (India) Limited, was signed here last week. The two companies will come to be fully owned by the government by December 30.

An understanding to the above effect was reached on October 15 last. Under the agreement signed last week, a net sum of Rs 13 crores is to be paid in US dollars to Caltex Petroleum Corporation, USA, in five instalments for the acquisition of the refining and marketing assets and operations of the above two companies. The US parent corporation has agreed to supply from the Gulf countries annually 1.25 million tonnes of crude oil for the next five years on commercial terms.

question of profit

Although the actual take-over of Caltex Oil Refining (India) Limited and Caltex (India) Limited will be effected by December 30, the profits of the two companies in the current calendar year would accrue to the government or the government company.

Caltex Oil Refining (India) Limited, which was incorporated in February, 1955, owns an oil refining unit at Visakhaptnam which is capable of processing 1.5/1.6 million tonnes crude oil annually, although it is operating at present to a level of 1.1 million tonnes per annum. This unit is said to be capable of using 1.25 million tonnes waxy crude oil from Bombay High with very minor modifications and investment. The Oil Industry Development Board is stated to have already sanctioned a loan of Rs 6,11,000 for this modification programme. The programme is expected to be completed in the next two years—by the time the output from the Bombay High goes up to 4/5 million tonnes per annum. Caltex (India) Limited has a network of 1,200 retail outlets, 55 bulk depots and five main installations.

refining capacity

With the take-over of Caltex Oil Refining (India) Limited, nearly 26.9 million tonnes refining capacity in the country, out of the total of 27.40 million tonnes, would come to be owned by the public sector. The only refinery which will then be outside the government control will be the nearly half a million tonnes capacity unit of the Assam Oil Company at Digboi. Negotiations for the acquisition of this refining unit too are in progress.

Meanwhile, the plan to regroup the oil companies operating in the country at present has been finalised by the government. According to this plan, the two Caltex ventures will be merged with Hindustan Petroleum Corporation and the Assam Oil Company, when taken over during the course of the next few months, will be amalgamated with the Bharat Refineries Ltd. No change is contemplated in the case of the Indian Oil Corporation.

Thus, besides the Cochin and Madras Refineries, there will be three organisations engaged in oil refining and marketing in the country, namely, the Indian Oil Corporation, the Bharat Refineries Limited, and Hindustan Petroleum Corporation. The marketing of the products of the Cochin and Madras Refineries is already being handled by the Indian Oil Corporation. These two companies are only refining units.

The above regrouping is said to be being effected keeping in view that there would be no job redundancy. The three organisations will be operating throughout the country, but one of them would be designated as the lead company in the different zones.

Negotiations are also at an advanced stage for the take-over of Oil India Limited, a 50:50 partnership between the government of India and the Burmah Oil Company, which is the second oil exploration agency currently working in the country, besides the public sector Oil and Natural Gas Commission (ONGC). It has been indicated by the minister for Petroleum, Mr K.D. Malaviya, that Oil India, even after its take-over, would continue as a separate entity. The take-over of this company is expected to be decided upon by the end of the current calendar year.

It is not yet clear whether the government would acquire the entire 50 per cent equity of Burmah Oil Company in this venture. No final decision is said to have been taken on this as yet. The government might wish to retain the Burmah Oil Company as a partner in Oil India on a minority basis in view of the vast exploration experience this British company has.

* *

Two other developments have taken place on the oil front in the past few days. One is the indication given by Iran that it would be prepared to loan to India a sum of $200 million for the import of crude oil from there. The other development has been the negotiation of an agreement with the Soviet Union for the import of kerosene and high speed diesel oil.

Iran's credit will go a long way in alleviating the distress that might be caused to this country following the likely increase of about 10 per cent in the prices of west Asian crude oil from January 1. A decision in this regard is expected to be taken by the OPEC in the next couple of weeks. If the price of crude oil is put up by the west Asian nations by 10 per cent, the Indian import bill is likely to go up about Rs 120 crores, despite some increase in domestic output following the development to some extent of the Bombay High area as well as ONGC's programme of steadily increasing oil production onshore.

The details of Iran's credit, however, have not yet been disclosed.

Soviet agreement

The agreement with the Soviet Union envisages import of 1.4 million tonnes petroleum products during the next calendar year — 800,000 tonnes kerosene and 600,000 tonnes high speed diesel oil. The imports will commence in J nuary. As is the case with the other imports from the USSR, the payments for the above imports are to be made in Indian rupees or goods. The Soviet Union will be charging the current international price for the two products. Part of the imports will be lifted by Indian vessels.

The real significance of the imports of kerosene and high speed diesel oil from the Soviet Union is that they will help in containing the imports of crude oil from west Asia as, if the country is to be fully self-sufficient in refined petroleum products, the utilisation of the refining capacity would have to be augmented significantly from the present level of about 22/33 million tonnes. A step-up in the utilisation of refining capacity would have created another problem, namely, that of disposal of some surplus products. The imports of some petroleum products in which the country is not fully self-sufficient, of course, is not a new policy. It has been followed for quite some time and imports from the Soviet Union of both kerosene and high speed diesel oil have been effected in the past as well.

* *

The proposed Iranian credit and the Russian agreement to supply 1.4 million tonnes petroleum products next year will, incidentally, provide a further elbow room to the union government to liberalise imports of essential raw materials going into the production of wage goods as well as of equipment and spares. These imports, of course, have been liberalised significantly in the recent past also following encouraging export trends, increased remittances by Indians abroad, decline in imports of food, fertilisers and metals—both ferrous and non-ferrous—etc, which have enabled the country to build up over Rs 2,000 crores worth foreign exchange reserves.

In pursuance of its policy to liberalise imports, several significant announcements have been made by the government in the past few days. These include: (I) grant of import licences to small-scale units for raw materials and components up to Rs 50,000 in free foreign exchange during the current financial year (for amounts exceeding Rs 50,000, 70 per cent imports will be allowed under free foreign exchange, subject to a minimum of Rs 50,000, and the balance under the UK credit); (ii) allowing of imports by industries eligible for loans under IDA aid and exporting units eligible for preferred sources of financing upto 75 per cent of the value under free foreign exchange, subject to a minimum of 50,000, the balance imports being allowed under the UK credit; (iii) decanalisation of polyester fibre imports and placing of these imports on the free list; (iv) grant of complete exemption from the customs duty to imports of viscose staple and polynosic staple fibres upto October 31, 1977; (v) liberalisation of imports of edible oils and raw cotton; (vi) placing of imports of permissible spare parts on open general licence; (vii) allowing of imports of machinery freely to a total value of Rs one crore in a year by units in the export-oriented industries which have been exporting more than 20 per cent of their total production during the past three years and are prepared to undertake exports to this level of their total enhanced production for the next five years, with the stipulation that those units which have been licensed with an initial export obligation of more than 20 per cent will maintain that higher level of exports and give undertaking to that effect; (viii) enlarging of the list of raw materials and components which are allowed to be imported against advance licences, etc. The import procedures too have also been simplified a great deal.

It has been further indicated recently that many more items may be allowed to be imported through open general licences or may be placed on direct supplies through canalising agencies, obviating the formalities connected with the submission of applications and obtaining of licences or release orders. A high-powered committee is currently considering this issue.

Significantly enough, imports of wool have not yet been liberalised to any great extent despite the comfortable foreign exchange situation. They are expected to be of the order of Rs 21 crores this year, as against Rs 15 crores last year. But if note is taken of the fact that the international prices of wool in the meantime have gone up by 20 per cent, the quantitative imports apparently have been higher only marginally.

Imports maintained

Incidentally, imports of wool have been maintained around this level for a number of years now with the result that the prices of woollens have been recording sizeable increase year after year. The above imports, however, do not include the replenishment imports against exports which this year are said to be around Rs 15 crores.

Unless the imports of wool are stepped up very significantly, any marked decline in woollens cannot be expected. The understanding given last week by the woollen manufacturers that they would reduce their ex-factory prices of blazers, tweeds and knitting wool used primarily by the lower middle and weaker sections of society by three to five per cent, therefore, has to be read against the above background. Could it be expected that wool will be included in the essential raw materials the imports of which are being liberalised in the interest of containing the price-line? Mere modernisation of the industry cannot be expected to bring down the prices of woollens to any substantial extent unless simultaneously capacity utilisation is raised through augmenting the supplies of raw material.

In view of the encouraging exports of carpets, exports of raw wool from the country, of course, are expected to be banned in the near feature.

Adoption of non-traditional inputs

Dr P. V. Krishna & R. S. Chauhan*

Studying a sample of farmers from two talukas in Gujarat, the authors have come to the conclusion that before introducing any non-traditional input such as fertilizers or high-yielding varieties of seeds in an area, it is desirable to ensure the availability of other essentials such as facilities in regard to irrigation, finance and marketing.

TRANSFORMATION OF traditional agriculture has been advocated as a means to achieving self-sufficiency in agricultural production. Transformation of traditional agriculture includes among other things the use of non-traditional inputs such as fertilizers, high-yielding variety of seeds, etc. Realising this, our scientists made conscious and effective efforts which resulted in the evolution of suitable high-yielding varieties of different crops. To pass this technology on to the farmers, the High-Yielding Varieties Programme was introduced during 1964-65 in the country. High-yielding varieties of paddy, jowar, maize and bajra have been evolved and are under distribution since then.

The evolution of high-yielding varieties is not an end in itself, but it is only a step towards modernising agriculture. What is essential is the timely supply of package of inputs such as irrigation, credit and the technical know-how to use these inputs to ensure the success of such programmes. Due to lack of such supportive measures, there has been a setback to this programme. With this background in view, an attempt has been made in this article to study the adoption of two crucial non-traditional inputs viz, HYV seeds and fertilizers under two different farming situations. The reasons for non-adoption or reversion to traditional inputs were also analysed.

The data for this study was collected from Kanjari and Junagadh areas of Gujarat. Fifty farmers from both the areas were selected randomly and interviewed. The data relates to the agricultural year 1972-73.

Kanjari area is completely an irrigated tract, the main sources of irrigation being wells and canal. Bajra, paddy, wheat, potato, tobacco and jowar are the main crops of the area. Nearly 70 per cent of the kharif area was under bajra crop and nearly 26 per cent was under paddy. The area under other crops was quite insignificant.

In the rabi season nearly 50 per cent of the area was under wheat, nearly 27 per cent was under potatoes and nearly 21 per cent was under tobacco and the rest of the area was covered by other crops. In summer only bajra crop was grown. Thus, the improved irrigation facilities existing in this area may be the contributing factor for higher rabi cultivation.

POINT
OF
VIEW

Junagadh area is a partly irrigated area, the main source being wells which often go dry in the summer season. The major crops are bajra, jowar, cotton and groundnut. Nearly 75 per cent of the kharif area was under groundnut and the rest of the area was under such crops as bajra, jowar and cotton. The area under maize was very insignificant. In the rabi season only wheat crop was grown but that too in a small area. Thus in this area the cropping pattern is dominated by kharif crops. This may be because of lack of assured irrigation facilities.

The cultivators were asked whether they made any changes in the existing cropping pattern during the past five years. The reasons for such a change if any as reported by the respondents were also recorded.

Less than 40 per cent of the sampled farmers reported a change in their cropping pattern. The main reasons for dropping a particular crop seemed to be its low yield or lack of irrigation facilities. The important reason for introducing a particular crop seemed to be the desire to increase income.

The remaining 60 per cent of the farmers who had not changed their cropping pattern gave the following reasons: the present pattern gave enough yields; water supply was irregular; farmers lacked financial resources; land was not suitable for other crops and higher labour cost was involved in the introduction of new pattern. Hence, given assured irrigation facilities, financial help and suitable seeds a change in the existing cropping pattern could be expected.

lack of irrigation

In Junagadh area only 30 per cent of the cultivators reported a change in their existing cropping pattern. Among them, a majority had dropped the bajra crop. Since this is relatively a dry area, irrigation seems to be the main factor which came in the way of change in the existing crop pattern. The reasons indicated for not bringing any change in the crop pattern seemed to be the lack of irrigation facilities and the perception that the existing pattern was the most ideal one.

In Kanjari area, 80 per cent of the farmers used HYV bajra seeds. Only 12 per cent used HYV paddy seeds. HYV wheat was used by only one farmer. Though the HYV seeds were introduced in 1964-65, only 16 per cent of the farmers used it in that year. But a majority of the farmers accepted the HYV seeds after 2 to 3 years of their introduction.

In Junagadh area, on the other hand, the gap between the commencement of the programme and actual adoption seemed to be large. Only 20 per cent of the farmers had not used any HYV seeds at all. Here again a majority of the farmers used hybrid bajra seeds (52 per cent), 24 per cent used cottonseed and only one used wheat seed.

The major reasons given for the adoption of HYV seeds appeared to be their high yield. That was why a majority of the farmers had gone in for bajra HYV seeds. Even then out of the eleven who had adopted the bajra crop, three farmers had dropped the crop as they could not get improved yields.

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The respondents were asked to give the year of first use of fertilizer, type of fertilizers used and the crops for which they were used.

In Kanjari area the farmers were reported using fertilizer since the 1960's. But it is disheartening to observe the non-use of balanced fertilizers: 64 per cent of the farmers used urea only, 28 per cent urea and ammonium sulphate and only four per cent NPK mixture. One farmer has not used any fertilizer. Thus nitrogenous fertilizers were being used most extensively. A majority of the cultivators were of the opinion that the use of fertilizers would help in increasing their crop yields. However, one respondent complained about the non-availability of other types of fertilizers. He was also of the opinion that urea was cheaper than other fertilizers.

All the cultivators reported use of fertilisers regularly. But it was pointed out earlier in our analysis that lack of assured irrigation was one of the main reasons for not contemplating a change in cropping pattern.

In Junagadh area the fertilisers were in use since 1961-62. The reason for using the fertilisers was the same as given by the cultivators of the Kanjari area. A majority of the farmers used DAP fertilisers. 56 per cent used DAP only, whereas 24 per cent used urea along with DAP; 16 per cent used urea only and four per cent urea and superphosphates. Only 30 per cent of the farmers used fertilisers for bajra crop, whereas a majority of them used fartilisers for groundnut crop. However, is is quite interesting to note that more than 50 per cent of the farmers have not used this input regularly due to non-availability of assured irrigation or because of irregular rains.

The farmers could not contemplate effective and profitable changes in their cropping pattern due to lack of irrigation facilities. This study has clearly indicated a large gap between the commencement of the programmes and actual adoption by the farmers. Hence there is a need to strengthen the extension agency. Before introducing any non-traditional input described in this article it would be better to examine the availability of other essential inputs, such as irrigation and finance. Marketing too is an important item to be considered in this regard.

State financial corporations and commercial banks

P. V. Krishna Rao & G. Prasad

The state financial corporations and the commercial banks have given a big helping hand in promoting small-scale industries in this country. Reviewing the working of these institutions, the authors have put forward a few suggestions which are designed to smoothen the process of the onward march of these units. In particular, the authors would like the officials of the SFCs and the commercial banks to be committed to the development of the small-scale sector of industry.

THE SMALL-scale industrial sector plays a pivotal role in the development strategy of a country. In India, it has recorded a very high rate of growth during recent years and emerged as an economically viable sector. Now there are nearly 400,000 units in our country and the total investment in this sector is estimated at Rs 1400 crores. The all-India census of small-scale industries revealed that during the first four years of the fourth Plan the number of units increased by 35 per cent. As many as 35 per cent of the units were found to be in backward areas and 15 per cent in rural industries projects.

This sector today provides employment to about 2.2 million persons. The employment in small-scale sector is 21 for Rs one lakh investment, or nearly four times the corresponding employment for that investment in the large sector. Similarly the ratio of output to investment in the small-scale sector is 3.28 or nearly three times the corresponding ratio in the large scale sector. The gross value of output in the small-scale sector increased from Rs 2,600 crores in 1972 to Rs 5,700 crores in 1975. The contribution of the small-scale sector to the total industrial production in the private sector units under the purview of the DGTD and small-scale sector together has increased from 35 per cent in 1972 to 38 per cent in 1974 and to 40 per cent in 1975.

This sector has also contributed significantly to our exports. Out of 2,400 products produced by small-scale units, 720 products or 31 per cent were exported. Exports from this sector have increased not only in absolute value but they have also improved their relative share in the total exports. From Rs 305.79 crores in 1972-73, the exports increased to about Rs 600 crores in 1975-76. The percentage share of the small-scale industries in total exports has correspondingly increased from 9.6 per cent in 1971-72 to 16.4 per cent in 1974-75, Significantly the share in the non-traditional exports increased from 19.5 per cent in 1972-73 to 28.5 per cent in 1974-75. India had also provided assistance to 39 developing countries in Asia, Africa and South America in the field of small-scale industries.

Taking into account the overall importance of this sector to the total output, exports and employment, the fifth five-year Plan has made a provision for considerably enhanced outlays for the small-scale industria lsector. The total outlay allocated to this sector in the fifth Plan is Rs 287.23 crores as compared to Rs 98.76 crores in the fourth Plan. This year the government is also launching a new programme for development of small-scale industries by setting up three more branchs of Small Industries Service Institutes and four regional testing centres in New Delhi, Calcutta, Madras and Bombay providing testing facilities in mechanical, metallurgical, chemical and electrical trades.

There is a wide range of institutions which cater for the financial requirements of small-scale industries, the important among them being the State Financial Corporations and commercial banks. This analysis is confined only to these two sources. The commercial banks mainly take care of working capital requirements of the small-scale industrial units. In the sphere of medium-term and long-term financial requirements of small-scale units, it is the state financial corporations which have played a leading role.

total assistance

The total assistance sanctioned by the SFCs in 1974-75 aggregated to Rs 144 crores out of which about Rs 100 crores or 70 per cent was in respect of small-scale units. The corresponding percentage in the preceding year (i.e. 1973-74) was 64 per cent. In recent years about 90 per cent of their clients have been from small-scale sector. The shift in favour of small-scale industries in the loan portfolio of the SFCs is the result of (1) policies of the state and central governments to encourage small units (2), liberal procedures adopted by the SFCs based largely on the support of the IDBI, and (3) enhanced guarantee available under the credit guarantee scheme administered by the Reserve Bank on behalf of the central government. The guarantee cover was enhanced in 1974 from 75 per cent to 90 per cent in respect of loans up to Rs 3 lakhs to small-scale industries promoted by the technical entrepreneurs.

Considering the financial needs of small-scale industries, the contribution of the SFCs is significant. Apart from overall increase in the quantum of their assistance to small-scale industries, they have been able to direct a large part of the increased assistance to units set up in backward areas. However most of the small-scale industries are experiencing difficulties either in getting finance or in procuring raw materials or in marketing their products. The recent study conducted by the Indian Institute of Management, Ahmadabad, on the problems of small-scale units in Gujarat revealed that the main areas of problems of small units related to the procurement/availability of raw materials (43 per cent of industries) finance including working capital (40 per cent of industries) and marketing (29 per cent of industries). The study is of a representative character and its results may not be different elsewhere in the country. It is, therefore, essential that during the project appraisal stage as also during the implementation/production stages, the SFCs should give special attention to the raw materials and marketing aspects and actively help the small units to overcome these problems.

industrial estates

As a part of the overall efforts to assist increasingly the small-scale industries, the SFCs could take greater interest in financing industrial estates, because this would help them to bring in a large number of small units within their fold. They must also contribute increasingly to the equity capital of new units set up by technical entrepreneurs. There is a provision in the SFC's act under section 4-A which permits these institutions to do this.

The total credit (including term loans and advances granted to craftsmen and other qualified entrepreneurs) sanctioned by scheduled commercial banks to small-scale industries at the end of June 1975 amounted to Rs 1586 crores. The net increase in the total assistance sanctioned during the year ended June 1975 was Rs 139 crores as compared to Rs 277 crores in the preceding year (Table I).

outstanding credit

The total number of units financed by scheduled commercial banks at the end of June 1975 was 239,997. The net increase in the number of units financed during the year ended June 1975 was 30,302 as compared to 41,654 in the preceding year (Table I).

The total outstanding credit to small-scale industries at the end of June 1975 was Rs 1,051 crores. The net increase in outstanding credit to small-scale industries during the year ended June 1975 was Rs 79 crores as compared to Rs 248 crores in the preceding year (Table I).

The deceleration in bank credit to small industries sector during the year under review has been common to all states except a few such as Orissa, Jammu and Kashmir, Bihar, and Nagaland

TABLE I

Advances by Scheduled Commercial Banks to Small-Scale Industries (Rupees in crores)

	As on the last Friday of								
	June 1973			June 1974			June 1975		
Bank Group	No. of units	Limits sanctioned	Balance outstanding	No. of units	Limits sanctioned	Balance outstanding	No. of units	Limits sanctioned	Balance outstanding
SBI and its subsidiaries	77809	421.10	276.86	93863	495.04	356.84	110051	525.59	370.46
14 nationalised banks	80547	616.39	364.92	104941	790.86	511.38	118980	883.10	572.20
other banks	9685	132.37	81.71	10891	161.18	103.24	10966	177.69	107.89
Total :	168041	1169.86	723.49	209695	1447.08	971.46	239997	1586.38	1050.55

Source — Reserve Bank of India Bulletin, January 1976.

which recorded higher growth than in the preceding year.

The share of small-scale industries in the total outstanding bank credit had gone up from 7.7 per cent in June 1969 to 12.6 per cent in June 1974; it has however declined marginally to 11.7 per cent in June 1975.

The State Bank of India group provided 13.7 per cent of its total credit to small-scale industries; the 14 nationalised banks 11.5 per cent and other banks 8.4 per cent.

The average amount sanctioned per unit was Rs 66,000 in June 1975 as against Rs 68,000 in June 1974 and Rs 70,000 in June 1973.

statewise distribution

Statewise, Maharashtra accounted for over one-fifth of total outstanding credit to small-scale industries followed by Tamilnadu, Gujarat and West Bengal. The above states accounted for about 50 per cent of the credit outstanding to small-scale industries. The largest number of small-scale industrial units financed were in Maharashtra (34,528) followed by UP (26,323), Tamilnadu (25,519), West Bengal (22,252), and Andhra Pradesh (20,288).

Term loans (including instalment credit) sanctioned by scheduled commercial banks to small-scale undertakings at the end of June 1975 amounted to Rs 216.5 crores covering 52,199 units. The net increase in term loans sanctioned during the year ended June 1975 was 19 crores spread over 6,908 units as compared with the increase of Rs 47 crores and 9,633 units during the preceding year (Table II).

Three features in the flow of bank credit to small industries in recent years are noteworthy: (a) the steady decline in the average amount of credit limit sanctioned per unit from Rs 70,000 in 1973 to Rs 66,000 in 1975 indicating a gradual shift towards financing of smaller units in small-scale sector, (b) there is the greater involvement of banks in financing small industries in industrially backward states such as Orissa, Jammu and Kashmir, Bihar and Nagaland. These states recorded a higher growth rate in bank credit than in the preceding years, (c) banks have played a significant role in financing fixed investment in small-scale industrial sector. The term loans sanctioned by banks to small industries amounted to Rs 216.5 crores covering 52,199 units as at the end of June 1975. The amount outstanding at Rs 178 crores formed about 17 per cent of the total outstanding bank credit to this sector (Table II).

comparative neglect

Although, the performance of commercial banks in financing small industries during the last few years has shown a definite improvement they have not come forward in a big way to meet the financial needs of this sector in comparison to the latter's contribution to the nationa economy. The main reasons responsibl for this state of affairs are analyse below.

First, banks practise the policy o playing safe. They pay very little attention to small units which cannot offe good security. The viewpoint of 'public money' is often put as a counter-argumen by some bankers in defence of thei insistence on security. Many banks stil consider service of small loans as an expensive proposition. So, there is need for the introduction of flexibility with regard to procedures and practices concerning provision of finance to small-scale industries. The credit sanction should be judged in the light of potential productive capacity.

higher margins

Second, small industries complain of the insistence of some banks on higher margins. In this connection it may be noted that a scheme was introduced in 1974-75 by the centre on the advice of the Planning Commission to provide margin money to banks on their loans to small units. Under this scheme 10 per cent of margin called seed money at four per cent interest is given to educated unemployed intending to set up small-scale units. However the banks have complained of this seed money as inadequate assistance at the meetings of regional consultative committees. But this

TABLE II

Term Loans (including instalment credits) Granted by Scheduled Commercial Banks to Small-Scale Industries.

(Rupees in lakhs)

Bank Group	As on the last Friday of								
	June 1973			June 1974			June 1975		
	No. of units	Limits sanctioned	Balance outstanding	No. of units	Limits sanctioned	Balance outstanding	No. of units	Limits sanctioned	Balance outstanding
SBI and its subsidiaries	7500	5123.99	3664.06	9119	6020.05	4400.68	10614	6463.33	4977.29
14 nationalised banks	26030	8487.04	6961.10	33546	11884.06	9897.64	38926	13066.09	11109.34
Other banks	2128	1384.60	1080.50	2626	1813.26	1449.39	2659	2122.59	1711.02
Total :	35658	14995.63	11705.66	45291	19717.37	15747.71	52199	21652.01	17797.65

Source :— Reserve Bank of India Bulletin, January-1976.

scheme was discontinued this year. However a few states are still continuing this scheme with funds from their own budgets.

Lack of commitment on the part of the bank officials is another reason responsible for the relatively low level of credit to small-scale industries in comparison to the latter's contribution to the national economy. Therefore the bank officials should be given sufficient orientation about the importance of financing small-scale units. Only then dynamism can be infused in those people who are concerned with the operational aspects of lending to the small-scale sector. It is essential to conduct training programmes and seminars on financing small-scale industries. Junior officials and branch managers should be invited to participate in such seminars.

Lastly some commercial banks have centralised decision-making relating to the sanction of credit facilities to small units. When the application for finance is sent to the zonal or regional office, the latter follows with a sequence of letters and when the proposal is finally cleared, the unit would have already faced financial problems owing to its weak equity structure. It is essential to decentralise the administrative authority in branches. Also, the banks should work on an immediate programme for developing the credit appraisal skills of branch staff. This will go a long way in quick disposal of applications from small-scale units.

In order to overcome the financial difficulties of small enterprises, it is desirable to devise some other forms of collective self-financing. e.g. corporate credit or mutual indemnity financing. These forms of financing small enterpriese have not been sufficiently practised in developing countries such as India. The equity capital base of small industries could be improved by converting to corporate forms of organisation. Co-ordination among the lending institutions is essential if all the genuine credit requirements of small units are met.

Credit by the organised institutional agencies is only one element among many, such as the availability of raw materials, water and power supply, marketing arrangements and technical services. Obviously therefore measures to encourage small units will have to be taken on a number of fronts and by a number of bodies. So what is needed, therefore, is to set up agencies on the lines of the Khadi and Village Industries Commission, which will for each selected industry organise the supply of raw materials at competitive prices to small units and which will enforce rigorous quality standards and market the aggregate production of small units under a common brand name. Initially this experiment can be tried in the case of soap and cigarette industries and later extended to other sectors. With regard to the technical services, the centre has been making arrangements to provide technical consultancy services or expert advice or guidance on a subsidised basis.

Lastly, there has to be a careful and detailed survey of small industries with a view to bringing about a proper grouping on a regional basis and adopting measures which will help them to become more competitive, self-reliant and complementary to large industries.

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Future hike in oil prices?

E. B. Brook, London

The supply of crude oil is becoming tighter, according to the author. The world-wide demand is on the increase and with prospects of further increase in oil prices by about 15 per cent by the OPEC, the economies of both the developed and developing countries are likely to be pushed off-course.

WINDOW ON THE WORLD

WHILE WESTERN Europe continues to ponder over its various complex troubles — the British economic situation, the fishing rights in the extensive waters to the north and south of the continent and the British Isles — the main anxiety lies with the prospect of a further increase in the price of oil. This increase is due to be decided at an OPEC meeting this month. The prospects appear more than a trifle ominous. More than half the members of OPEC have been quoted in the last few weeks giving forecasts for what the rise will be. The general expectation is that the price of crude will be increased by a further 15 per cent; all the OPEC members who have given forecasts have suggested increases of between 10 per cent and 15 per cent. None of them really knows. All are tyring to influence the decision by means of public speculation.

The reason for this effort to influence the decision in advance is that the international politics of oil has been for some time quietly boiling up into a critical stage. The fact that there is no unanimity among OPEC members over prices and that the whole question of oil prices and consumption seethes with controversy is the only small measure of comfort that the Europeans can find in the looming oil price situation.

For some time the interplay between oil producers and oil consumers has gone on under the various names of the Paris Talks, the North and South Dialogue, and the Conference on International Economic Cooperation. It is more than a coincidence that the vital mid-December OPEC meeting in Dhofar coincides with the finale of those diplomatic-economic display shows in Paris.

The OPEC powers stand under strong pressure to produce something substantial within the Conference on International Economic Cooperation. In one sector they appear to be moving towards success over the question of energy but this will not in any way affect OPEC's decision about oil prices. Other meetings and activities that bring 1976 to a close with largely disappointing prospects economically are: the IMF-World Bank Conference in Manila which gave scanty hope to the Third World and the early UNCTAD commodity discussions at which the gap between the Third World's scheme to found commodity buffer stocks and to achieve a moratorium on industrially developing states' debts to western bankers were widely separated from what the industrially developed states were prepared to offer.

So far at Paris the Third World states and the OPEC have managed to stand together. At Bali in June the Saudi oil minister, Sheikh Yamani, managed to hold back oil prices until December. That there will be a substantial increase in the price of crude oil at a relatively early date seems no longer to be in question. That terms of trading and fluctuations in prices of stocks of essential raw materials will continue seems scarcely in doubt; there is as yet no substantial advance in meeting the debt and credit requirements of many of the industrially developing countries.

Only on energy is there some prospect of agreement; i.e. to set up some permanent institution to consolidate government-to-government planning of energy supply and demand and exchange of energy technology. To some extent the prospect of agreement on this subject could be interpreted partly at least as an effort to move oil politics from the centre of the international economic stage.

nuclear power

There is prospect that a significant oil price might drive the United States to set aside the objections of conservationists and to turn for its energy requirements to nuclear power, despite its demonstrated risks. Almost certainly the Americans will have to make an early choice between continuing and increasing their dependence on steadily more expensive middle east oil or a significantly faster development of its nuclear programme. At present the United States imports half the oil it uses and every price rise of crude puts its economy further in imbalance. Britain with North Sea oil as almost the only cheerful area of its economic prospects, has been able to shelve a substantial nuclear power programme but this delay may be no more than short term if oil crude, which it will need to import for some time, rises substantially in price.

Although the effect of the increase in oil prices in 1974 has not been as drastic as was feared at that time, oil prices have risen steadily in real purchasing power terms since that year. According to one leading American bank the rise since 1974 has been as much as eight per cent. How far oil prices will be allowed to rise by the OPEC powers will depend to some extent on progress of real worth.

at the Paris economic talks. If these talks show promise of advance for the less industrially developed nations, including those of the middle east, the possibility of restraint by OPEC will be increased; if the Paris talks have no tangible promise of benefit to the industrially developing nations not even the Saudi Arabian influence within OPEC will be strong enough to hold back quite punishing rises in the prices of crude. The obvious result of obstinacy on the part of the industrially developed world in the Paris talks will be a damaging oil price increase from their industrially developing opposite numbers.

The change in the oil prices situation reflects both long term and transient rising demand. The significant increase in the USA's import of OPEC crude means that, the socialist economies apart, the supply of oil is becoming tighter. World-wide demand this year is nearly six per cent above 1975 levels and a further three per cent increase in demand is expected next year. Until the British and Norwegian sectors of the North Sea oil move significantly into world supply the OPEC countries will still supply the bulk of demand for crude. This year its output has been slightly above seven per cent over that of 1975. The prospect of price increases beginning next year has inspired some almost panic storage buying recently and increased the ratio of demand.

Generally speaking the western economies have not fully recovered from the first great oil crude price increase or the general trade recession of 1974 and 1975. As a result, any further increases in crude prices are likely to push most, if not all, the OECD countries' economies off-course; a substantial increase would put them once more in peril and the impact would probably be more damaging to non-oil producing less-developed countries than to the western economies, several of which are themselves now oil producing.

Balancing government and business responsibilities

Richard M. Thomson

This is the full text of an address by the author (who is President of Toronto Dominion Bank, Canada) to the International Conference of the Financial Executives Institute in Toronto on October 4, 1976. It delineates business and government responsibilities in an era of controls, and discusses the central role of profits and methods of developing a greater cohesion between business and government. Though the analysis made by the author has immediate relevance to the USA and Canada, the thesis presented will evoke great interest in India as well.

I AM delighted to participate today in this International Conference of the Financial Executives Institute. Your group is an international one that reflects not only a common interest in financial matters but also the close ties between the United States and Canada. Although attention has been drawn in recent years to some of the differences that exist in our national policies, we must not fail to recognize that the United States and Canada stand as a striking example of two nations peacefully sharing not only the same continent but also linked by social, cultural and economic ties.

I have chosen to speak on this subject of balancing government and business responsibilities, because I know that the question of government participation in the economy has become increasingly important over the years. While Canadians and Americans may perceive the extent of government involvement differently, we all certainly recognize that it has increased steadily, so that today government exerts a powerful influence over almost all facets of economic activity. I have also chosen this topic today because, as financial executives, you hold responsible positions in the business community and are, therefore, best able to take up some of the challenges I would like to place before you. The business community, which we represent, has the responsibility of increasing the public's awareness of the role of business in society.

To begin with, the responsibility of government is to the citizens and it involves the pursuit of such goals and objectives as equal and fair justice, social and economic freedom and security, to name only a few. Over the past decades government has, through its spending, taxing and regulatory powers, produced impressive results for the most part. Poverty such as existed in the 1930's is not evident today. Policies conducive to growth and social obligations have raised minimum living standards and have protected the unemployed, the disabled and the elderly. Governments have also opted for greater involvement in the provision of services to the public, either through close regulation of private sector enterprise or through public ownership, in attempting to make needed services more widely available.

The responsibilities of business, like those of government, are not easy to define. They may differ among different groups and over time as well. While there are those who might look to the simplest laissez faire interpretations and assert that the responsibility of business is simply to pursue its own self-interest, today business recognizes more and more that while its productive function is central, it also has obligations to society. Social responsibilities demand of business that it look to such concerns as the preservation of the environment and the careful development and utilization of available resources, be they natural resources or human resources. Business has responsibilities to its employees upon whose skills and labour it relies for its output; to consumers, without whom business would not survive; and to its shareholders—a group it must be realized, consisting to an increasing extent of average working people who invest in business through their employee stock purchase plans, pension funds and insurance policies. To satisfy the responsibilities which business has to these varied constituents presents business with heavy burdens. If business succeeds in meeting these responsibilities, it can surely claim the right to a continued freedom to perform its role in the economy.

During the entire period since 1945, both in Canada and the United States, there has been a substantial increase in the influence exerted by government on the economy. This involvement is conventionally measured by the prominence of government spending. One measure relates to government's actual contribution to output, including, for example, such goods and services as highways, education, police and fire protection, and waste disposal. The relative prominence of such government spending virtually doubled between 1950 and 1975 and today both in Canada and the United States represents one out of every four dollars of total output in the economy.

transfer payments

Another measure of government involvement deals with government transfer payments, or the influence of government on the private sector through income redistribution. Such payments include unemployment insurance benefits, old age security fund payments, direct relief, veterans' pensions, government-run pension benefits, workmen's compensation benefits, and family and youth allowances. When these payments are combined with other government spending, the actual degree of involvement in our economies becomes clearly evident. In Canada government expenditure, which last year amounted to more than $60 billion, represented approximately 40 per cent of Gross National Product, double its share in 1950. In the United States, last year's total government spending of well over $500 billion represented 35 per cent of GNP, up from 21 per cent in 1950.

These statistics take on a more ominous tone when it is realized that in the United Kingdom, long regarded as the model for government intervention, the government sector represents 43 per cent of total Gross National Product. This suggests that the public sector in our two countries has become almost as dominant as it is in Britain. In contrast, the Japanese economy, long regarded as highly productive, has a relatively low-profile government sector whose spending accounts for not much more than one-quarter of total output.

a noble pursuit

In what I have said so far, I would certainly not wish to leave the impression that I am attacking government policy objectives. Redistribution of income to alleviate poverty and to provide a better environment for the development of society is a noble pursuit. So, too, is the safeguarding of the health of our citizens. But they raise a number of important points. Such social targets may be beyond dispute in principle, but the means of achieving these ends can be disputed. The provision of reasonably priced and adequate housing is certainly socially desirable, but recourse to rent controls as a means of achieving this has been shown to have disastrous results. Examples of the problems induced by such action are visible both in Canada and the United States such as the reduction of service, under-the-counter payments and abandonment of buildings all having occurred.

Interference with market forces has reduced the quality of housing available, especially to the poor, and has at the same time produced disincentives to further investment in new rental housing. Problems have also resulted from the growing emphasis upon direct participation in the form of public housing rather than the alleviation of the problem through direct income subsidization. The problem is compounded by government's apparent inability to reverse any action it has taken. The introduction of costly social programmes may be well intended but may often fail to achieve the desired result.

These points only begin to hint of an answer to the inevitable question: what is the appropriate role of government in the economy today? I believe that government is basically attempting to do too much and certainly too quickly. Whatever its motives, the move to growing emphasis upon the public sector to influence, to regulate and to control (including the effect of heavy taxation) carries with it the risk of blunting the creative drive of citizens and the business community. Of this there is much evidence. At the same time, when the results of such efforts do not live up to the claims made on their behalf, the nation becomes frustrated at these shortcomings and this contributes to general discontent. The belief of government that social programmes can be easily accommodated during periods of economic expansion has led to tremendous expenditure increases over the past decade.

The increasing pace of development of public programmes has made it more and more difficult to use monetary and fiscal policies to reduce business fluctuations. Government spending, instead of being concerned with maintaining a suitable environment for healthy expansion of the private sector, has instead moved steadily upward piling increase upon increase. The result has been monetary and fiscal excesses which have at times been incompatible with the economic requirements of the business cycle and largely responsible for the recent and ongoing inflationary pressures in our two nations.

remedial measures

The crises that have resulted largely from such trends, both in Canada and the United States, have consequently led to the need for harsh remedial measures, and these, at different times, have taken the form of controls, with Canada still in the midst of its restraints on incomes, prices and profits. Such controls produce serious dislocations of their own throughout the affected economies and have generated uncertainty and a loss of business confidence. The irony of this development in Canada is that the problems that have emerged in the form of inflation and labour dissatisfaction have been used as justification for asserting the need for closer government involvement. It appears to have largely escaped government that it has played a central role in creating the very problem it speaks of attacking.

It has done so by a seemingly unending series of new programmes and uncontrolled spending increases; by the manipulation of monetary policies to accommodate such spending; by the less-than-firm resolve of the public sector in its own labour negotiations, leading to trend-setting large pay increases in government and quasi-government fields; and by its generous spending, in such forms as public service pension indexing, which serve only to create added budgetary strains.

real dangers

Given that the problems of inflation exist and that the dangers to the business sector are very real, economic controls have recently become a familiar means of curing these problems. It is true that where inflationary expectations are important contributors to the problem, the imposition of income and price controls effectively buys time during which actions may be taken to ease the real sources of inflation. But such measures tend to create as many new problems as they cure. An economist would describe these as the problems of misallocation of resources. In simple language, this means that the conduct of business becomes much more complex and that the result is usually industrial bottlenecks and the growing prevalence of shortages in the economy.

First, there are the problems of conforming to the massive volumes of regulations which in themselves provide an added cost to business. In the absence of the market mechanism, business decisions are seriously handicapped, while the uncertainties and distortions to the market economy discourage business investment in most productive areas. It is widely recognized that such controls, rather than promote efficiency, provide an impediment to greater productivity. This is further compounded in those cases where controls permit the passing through of costs which removes the incentive for cost reduction. Since permissible profits are geared to average profitability in recent years, those high productivity industries which have enjoyed recent growth are penalized to a greater extent than less efficient industries. What is more, since some forms of activity do not come under controls—such as international trade—production may be shifted to these areas to the possible detriment of the domestic economy. As for labour, controls tend to disrupt normal business/management relations and promote greater job mobility to escape some of the restraining effects of such measures. The maximum allowable wage increase often becomes the minimum. Labour has tended to become more radical in response to such policies and has resorted to strikes and disruptions to make its sentiments clear. Next week is the first anniversary of Canadian income, price and profit controls and while the Canadian public is largely supporting them, we hope that in 1977 we can began phasing them out permanently.

too ambitious

That government may have been too ambitious and too short-sighted in pursuit of social objectives regardless of economic costs, is, I believe, becoming clearer to many people. The economy must be able to function without disruptive competition for funds from the government sector. Market forces should be allowed to allocate resources, to establish prices and to provide for the growth of competitive industries.

Productivity is a key factor in any economy. Its growth ensures a rising level of output for every man, woman and child. The private sector, the main sustaining influence in the economy, is the main source of productivity growth. It has long been recognized that the measurement of productivity in the government sector is not done well, if at all. A new management science needs to be developed to deal with this problem.

The problem of productivity extends to the lack of necessity for government enterprises to meet the test of a profitable enterprise in a competitive market. Special access to funding, the absence of the need for profitability, the substitution of social or other objectives for economic objectives, and the difficulty of measuring the economic impact of social measures all make it difficult to evaluate the true productivity of government enterprises and heighten the risk of mounting inefficiencies.

I now come to what I regard as a central issue in the whole debate about the inter-relations of government and business and their respective responsibilities. And that is the issue of profits. The pursuit of profit is an important driving force in the private sector—rightly so, since it represents the return to business activity just as wages and salaries represent the return to the efforts of labour. Yet profits appear to be widely looked upon in a negative light. Government policy, giving scant recognition to the positive aspects of profitability, has seemingly targetted on profits to exercise control over the business sector and to assist in the pursuit of its own spending priorities.

Profits are in fact an essential component of the private enterprise system and indeed of any system that seeks productivity. They are the measuring stick of efficiency and both reflect and determine success or failure in competitive markets. But they are more than that. They are the return for the combination of capital and initiative, providing not only dividends but also the earnings that supply part of the critically-needed capital for future investment—investment that holds the key to future prospects, generating economic growth and new jobs through the employment of larger scale and more productive plant and equipment. Even where capital is sought from domestic or foreign borrowing, decisions to borrow hinge on the prospects for future profits.

role of profits

As for the role of profits in generating inflation, there is an unfortunate tendency to adopt the most simplistic view and point to the coincidental acceleration of profits and prices in a particular year, drawing the conclusion that profit growth must, therefore, be the apparent villain. It is seldom noted that while labour income has advanced at a very steady and significant pace, corporation profits have been very volatile, varying tremendously, and at times declining in absolute terms prior to the recovery that is cited as the instigator of inflationary pressures. Furthermore, in recent times profitability has been distorted by inflation, creating the illusion of considerably greater real profit gains than actually exist. This illusion is brought about by the problem of valuing inventories as well as the practice of basing capital consumption allowances on much lower historical costs rather than on the actual cost of capital replacement.

Finally, in looking at the relative shares of total income accounted for by profits and by labour, two facts become very apparent. The first is that corporation profits represent a comparatively small share of GNP relative to labour. Secondly, it is labour rather than profits that has significantly increased its share of total GNP. Corporation profits in Canada, for example, have generally maintained an 11 to 13 per cent share of Gross National Product, the same share as existed during the first decade of the post-World War II period, while labour income has steadily increased its share from approximately 49 per cent of total output to a range of 54 to 56 per cent in recent years. This incidentally reflects the relative decline of the share of income attributable to agriculture over this period. In the United States, though labour's share has been larger, the same general comparability exists, that is, profits represent a relatively small share of GNP and, while the share has remained within a constant range over time, labour's share has risen steadily.

economic efficiency

Unfortunately, government does not attach enough significance to the vital role that profits play in promoting economic efficiency. Government has often been prepared to whittle down corporate profits in pursuit of its own priorities and objectives in the belief that reduced profits will not significantly alter business decisions. The fact is that profitability is a vital concern and changes in it do indeed influence corporate decisions—including decisions to pursue alternative activities, to divert operations to other countries, or to close down operations entirely. By failing to recognize that the erosion of profitability saps the strength of the economy, government is contributing to the very consequences it professes to combat, namely higher unemployment and a weaker private sector. In the interest of rearranging the shares allocated from the economic pie, it often prevents that pie from being enlarged.

I know I cannot dispel with this brief message feelings about profits which have been held by governments and large sections of society ever since the Industrial Revolution began. But I can say to government and public alike, "If you have your choice as to whether you would like your economy to be composed of strong, viable, efficient and profitable companies, or weak, marginal, uncertain, sick and unprofitable companies—which would you choose in your own interests?" I know and you know what the answer would be. It is up to us, as representatives of business, to bring such questions before the public so as to make them aware that profits represent an important key to our future economic strength. With more rapid growth of private industry spurred by higher profits we could afford greater programmes of human welfare.

demands upon govt

The pursuit of real social justice imposes certain demands upon government. It must firmly establish its targets and determine the specific measures required to achieve them. Where this requires specific expenditure programmes, these should be undertaken only if the resources are available to pay for them. This means that greater attention must be paid to the ability of the economy to support such programmes rather than having recourse to borrowing which often results in living beyond our means at the expense of our future prospects. Borrowing should be considerably reduced and be confined to the most urgent requirements of government's counter-cyclical activities. In conjuction with this, governments should carefully examine costs and benefits associated with all programmes, not just for the purpose of determining how much to add on to these programmes each year, but to determine whether these programmes continue to be justified at all. In the pursuit of its objectives, government must provide much greater medium term certainty in its legislative, regulatory and tax programmes. By focussing upon these more specific targets, government will be in a better position to consider as part of an ongoing policy the lowering of taxes on both individuals and corporations. Such a more favourable climate is bound to stimulate both individuals and business and permit the private sector to live up to its growth potential and productive capabilities.

It is not enough to sit back and te government that it must change its ways Business, too, has responsibilities and mus live up to them. Knowing that it is th voice of the people that ultimately determines the respective roles of governmen and business leaves us with the responsibility of bringing our message on profits productivity and the free market system t the public. Only in this way will we ensure that the electorate is aware of th case against increased government responsibilities. Greater communication mus not just be limited to the public at larg but must include government as well, an we must seek to get more closely involve in dialogue with government to provide a input into its thinking and to offer it th benefit of private sector expertise whic we speak of so highly. Business must als develop more fully its capacity for sel regulation rather than seek further government regulation. The prime responsibilit of business must be to produce, and t produce with ever greater efficiency, so a to satisfy its constituents—the shareholders, employees and consumers. Failur to do so will only undermine our positio in society and offer vindication to thos who feel the crutch of government assistance and direction is always necessary This strength and responsibility will at th same time, instead of fostering conflict allow business to work in partnership wit government in the pursuit of the betterment of all of society.

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Poverty in the Third World

Reviewed by
Academicus

Food and Poverty : Radha Sinha; Ambika Publications, New Delhi; Pp 196; Price Rs 45.

Family Planning and Family Size Determination : M.J. Carvajal and David T. Geithman; Center for Latin American Studies, University of Florida, Gainesville; Pp. 96; Price not given.

New Horizons : Director, Public Relations, Punjab; Pp 183; Price not given.

Industrialisation and Employment : M.M. Mehta; Popular Prakashan, Bombay; Pp. 128; Price Rs 40.

The Anatomy of Communist Takeovers : Edited by Thomas T. Hammond; Yale University Press: Pp. 664; Price $ 5.95.

Consumer Cooperation in South-East Asia: International Cooperative Alliance, New Delhi; Pp 226; Price Rs 25.

SO MANY books have been written in recent years on poverty in the third world in general and on Indian poverty in particular that one takes *Food and Poverty* by Radha Sinha with a certain amount of weariness, again expecting the same flogging of the dead horse. In less than no time—in fact from the preface itself—the reader realises that the book is out of the ordinary. Among the large number of books on the subject reviewed in these columns, this book would certainly deserve to be at the top.

Radha Sinha has presented in this book an exceptionally well-reasoned and comprehensive thesis dealing with the problem of poverty in the third world which at present happens to be the first item on the agenda of international political and economic organisations and seminars.

The author's thesis is as follows: The high incidence of world hunger and malnutrition is largely caused by the unequal distribution of income, wealth and political power between the rich and the poor, both within and among the countries of the world. While it is true that rapid population growth particularly in densely populated countries like India constitutes a major obstacle to rapid economic development and greater distributive justice, it must be realised that population programmes often remain ineffective because they are not put into execution as part of an overall socio-economic transformation involving a major distribution of wealth and power both within and among countries.

According to the author, there is enough evidence to suggest that even at the current technological level, the potential exists in the world for feeding much greater number of people than the present four billion. But with the present political, economic and social attitudes and institutions in different countries of the world, it is doubtful if men and resources would be forthcoming in sufficient degree to translate this world potential into reality. Also, the market-oriented materialistic approach to development planning coupled with the current power structure within developing countries will prevent any meaninful reforms that could guarantee employment and the basic minimum levels of living to the poor. According to the author, the so-called democratic institutions, urban and rural, will continue to be dominated by the 'elite', unless there is increasingly active participation on the part of the poor and underprivileged. This will require politicising the masses.

BOOKS BRIEFLY

The author is emphatic that all this can be achieved only through radical reforms of institutions and thinking. Whether such a change would require a violent upheaval or not will largely depend upon how soon the elite will be prepared to accept the changes as part of their 'enlightened self-interest' and their capacity to identify themselves with the masses and their needs and aspirations. Such an identification with the masses on the part of the elite presupposes a radical change in the elitist bias in the present educational systems which at present make the privileged groups alienated from the masses even within their own countries.

International scene

On the international level, the developed countries have been resisting a more equitable distribution of world resources and opportunities as well as sharing of political power in much the same way as the rich are doing within their national boundaries. A trickle of aid (which is much less than 1 per cent of GNP of developed countries) and a few marginal trade concessions have been passed on to the developing countries either to demonstrate charitable disposition or as a carrot for compelling developing countries to toe the ideological and political line taken by the developed countries. International organisations (e.g. UNO, the Security Council, FAO, WHO, GATT), dominated and manipulated by the richer countries, have by and large advocated policies and programmes which only help to maintain the status quo. The agencies (e.g UNCTAD, OPEC, etc) which advocate an equitable distribution of economic resources and political power are suspect in the eyes of the richer countries. Who would forget the threat of the secretary of state of the USA to use force against OPEC countries for insisting on increased price for crude oil in proportion to price rise of manufactured goods of industrialised countries? Recent evidence (as for example, the proceedings in the UNCTAD IV) suggests that only through increased solidarity and concerted action can the developing countries force any concessions from the richer countries. It is conceivable that the military might of the western countries headed by the USA will continue to pose a threat to any united action by the developing countries to improve their bargaining power. The effective way would be closer coordination among developing countries themselves in matters of trade, finance, industrialisation, and technical aid programme. This will effectively reduce the present extreme dependence of the developing countries on the richer ones and improve their bargaining power.

The author fears that confrontation between the rich and the poor countries may be inevitable. Any major scheme of 'confrontation' between them would necessitate willingness and ability of developing countries to suffer deprivations in the face of retaliation by the rich countries. The author has rightly stressed that much will depend on the quality of leadership in developing countries and their moral capacity to ask for sacrifices from their people. "If the leadership can identify itself with the masses and if the 'elite' are prepared to 'share the poverty' of the masses, then the people will respond positively. They have done so during the fights for national freedom; they will certainly do it again to overthrow the remaining vestiges of colonialism."

successful solution

The author has shown that the problem of poverty in any single country is closely bound up with the international problem. This means its successful solution will require attack on domestic as well as international front. The implication is that domestic measures however effectively implemented will not by themselves solve the problem of poverty in a country. For two centuries or more limitless resources have been drained off from Asian and African countries leaving them hopelessly entangled in a vicious circle of poverty. Mere population control or attempts at increasing domestic food supply without any aid from outside by themselves will not accelerate the process of growth in these countries. Reverse flow of considerable amount of resources from rich to the poor countries will be necessary both to reinforce purely domestic measures and to achieve acceleration in the growth process. This may give rise to confrontation between the rich and the poor countries for which the third world countries must be ready.

Author's logic is ruthless and no consideration is shown to sentiment or political prejudices and biases. For example, since there is increasing pressure of population on land in India, it will inevitably mean (despite ceiling laws) splitting of land into smaller bits thus hampering productive efficiency and modernisation of agriculture. Logically therefore the only solution to this problem, according to the author, is cooperative farming. But we in India tried it for more than a decade with the prodding of no less a person than Jawaharlal Nehru and were finally forced to give up both on sentimental and political grounds.

no moral right

If this is so, where then do we go from here? Also, will the rich, especially in a democratic set up like India's, be willing to share their wealth with the poor in the country? One doubts! This means we have no moral right to ask the rich countries to share their prosperity with the poor ones. Will the third world countries cooperate among themselves and effectively combine to stand up to the threats of the powerful rich countries? Political and cultural differences and rivalries, historical antagonisms, territorial disputes and host of other problems as also attempts by the rich countries to break the unity by using economic and political levers which they control (as for example in the case of India and Pakistan) may make emergence of such unity almost impossible, thus disabling the third world countries to successfully confront the rich ones.

But in spite of these doubts, logically there appears to be no way out of the problem of poverty except the ones suggested by the author. This is political economy made bare to the core.

This is truly a remarkable book. The author's grip on the subject, his manner of analysis which is illustrated with facts, figures and references from wide ranging fields, his almost faultless and extremely elegant expression are all extraordinary. Even his footnotes (page 158-183) at the end of the book are a treat in themselves and are as much illuminating as the main body of the book. It is a joy to read this book intellectually stimulating and aesthetically comforting. When would Radha Sinha give us the pleasure of reading another such book? The reviewer would be scanning the catalogues with expectancy.

FAMILY PLANNING

The Malthusian theory of population accepted for long depicted human population growth as essentially self-regulating and self-adjusting in consonance with the prevailing economic conditions of human life. The Malthusian theory postulated "a perfectly elastic long-term supply of labour at a real wage equal to a technologically determined constant cost of producing human beings." The level of living was assumed to be so low as to imply a level of living that was just necessary for the preservation of human life. But dramatic rise in real wage rates all over the world over the past 150 years or so stands in flat contradiction to the Malthusian oversimplification. The Multhusian model seems entirely irrelevant to the developed countries. The failure of the Malthusian theory ultimately led to its complete rejection by economists and "exclusion for many decades of population theory from economics and of economics from population theory." More recently, however, economists have shown renewed interest in population theory and its integration with economic analysis.

Family Planning and Family Size Determination based on the data collected from seven developing Latin American cities, makes on attempt to integrate population theory with economic analysis. The theoretical framework is based on the principle of long-term household utility maximisation. Its premise is that "people decide to have and raise children, or to refrain from having and raising children, because they believe that by doing so they and their families will be better off." In the theory of household choice, "the fundamental reasons for having and raising children are expressed in terms of their associated costs and benefits." Costs are expressed in terms of scarce resources that must be devoted to having and raising children rather than devoting those resources to other activities and also in terms of psychic, non-pecuniary costs incurred by the household in having and raising children. On the other hand, benefits that result from fertility decision-making increase the household's long-term utility over what it would have been if the decision had not been taken. These benefits accrue to the household either by an increase in its long-term income stream because of an increase in productivity or by an increase in consumer satisfaction of its members. The implication of this type of formulation of the theoretical framework is that "the higher the expected benefits relative to the expected costs associated with having and raising children, other things being equal, the higher will be the couple's fertility." The study is based on the fairly valid premise that many of the ultimate forces influencing fertility decision-making are essentially economic in nature, though in backward countries they might outwardly assume religious or any other non-economic garb.

rational phenomenon

The study broadly corroborates the view that "fertility is a rational phenomenon." This means people on the whole are seen to respond to their perception of the environment and changing economic opportunities by altering their family size. This also explains why fertility rates in towns are lower than in rural areas where the cost-benefit works against limiting substantially the size of the family.

This has a very important bearing on population policy that is being evolved in developing countries like India. Provision of family planning clinics and distribution of birth control devices are not by themselves a sufficient condition for fertility reduction. If there is demand for more children based on grounds of benefits (as in rural India where children begin to earn some income at an early age and do not cost much due to extremely low levels of living), families will be indifferent to the availability of birth control devices, no matter how effective they may be and how wide a propaganda campaign the family planning programme may launch. Parents must want to reduce family size, and only if they feel themselves better off in some sense by having smaller families, they can be reasonably expected to do so (aside from any issues surrounding the morality of the problem). This means if economic considerations strongly impinge on family-size decisions, then policy measures designed to lower fertility rates can anticipate a high degree of success only when they strike directly at parents' basic economic motives for having children.

The Malthusian theory as also the theory of demographic transition were a sort of appendages to economic theory. The approach of utility-maximisation followed in this book is definitely an improvement over the old theories of population. Also, the implications of this new theory for developing countries like India are clear. No amount of family planning propaganda will succeed unless parents are convinced of the benefits of limiting the size of the family. The reason why family planning has registered less success in rural than in urban areas is that benefits of larger families still appear to be more than the costs which are negligible. The best way therefore of limiting the size of the family and thus the growth of population would be that along with the propaganda in favour of small size of the family, attempts must be made to create economic conditions where the benefits of smaller families are greater than the costs. It should be noted that even people in rural India do respond to economic considerations as is clear from responses of millions of farmers to relative price changes of different agricultural commodities. What is found valid for developing countries of Latin America should hold good in the case of India also.

MODERN PUNJAB

Punjab, the worst effected among the states in India as a result of partition, has made great strides since then.

With its present population of about 15 million, Punjab occupies 13th position in the country population-wise. The state has the highest per capita income of Rs 1386 as compared to the all-India average of Rs 850. Punjab tops in agricultural production. For example, against an all-India average of 43 per cent, it has 82 per cent of its area under cultivation. Similarly 72 per cent of its area has ensured irrigation facilities compared to all-India average of 22.2 per cent. The per hectare yield of wheat, rice, cotton and bajra in Punjab is 2,400 kgs 2,287 kgs, 376 kgs and 982 kgs respectively compared to the all-India average of 1,158 kgs, 1,151 kgs, 138 kgs and 519 kgs respectively. The wheat-yield in Ludhiana district is 2,929 kgs per hectare which compared well with the best wheat-producing countries in the world. Punjab has always been on top in contributing wheat to the central pool. Thus in 1975 it contributed 2.40 million tonnes; the contribution of rice to the central pool is also the highest for any state, being about 26.5 per cent of the total. There are nearly half a lakh tractors in Punjab, the highest number for any single state. Punjab is the first state to cover its entire area under the Small Farmers Development Agency and Marginal Farmers and Agricultural Labourers Agency Scheme. Punjab has brought 11.91 million acres of land under consolidation out of the total of 12.42 million acres — the highest percentage in the country. Punjab has recorded the highest milk yield and the state also has the highest consumption of milk products which is 443 grams per head per day. No wonder, the average life expectancy in Punjab for the males and females is 63.5 years and 58.6 years as compared to the all-India averages of 53.2 and 51.9 years. As is well-known, Punjab also leads in small-scale industries.

saga of achievement

New Horizons records the saga of the remarkable achievements of Punjab especially under the present able and popular chief minister Giani Zail Singh during his regime 1972-76. The articles are contributed by eminent sons of Punjab who have themselves made substantial contributions in various fields contributing to the prosperity of the state.

Justice J.L. Kapur has described how Punjab has made progress in all spheres—economic, political, cultural, educational and social. He has shown how rigidity of the caste system, ultra conservative outlook and obscurantism which still plague the life of many other parts of India got eroded in Punjab due to the efforts of many religious and political leaders.

Justice G.D. Khosla in his nostalgic mood has described the conditions prevailing in the Punjab at the beginning of the present century—unending stretches of the barren land with surface thinly covered with a vicious coating of saltpetre, the horses panting and kicking along the roads, kacha roads connecting the smaller towns and villages, the bullock-carts laden with grain and fodder, village-houses made of unbaked bricks and plastered with mud, and the narrow, uneven and dirty lanes in towns and cities. And yet even though in those distant days Punjab presented the appearance of a primitive and undeveloped state the author found the people then as lovable, warm-hearted, friendly, hard-working and practical-minded as at present.

beautification

Dr M.S. Randhawa has drawn attention to the measures taken by the chief minister for the beautification of Punjab. The chief minister's ideal is "not only a Punjab with green fields and factories but also a beautiful Punjab." The author has described in detail the anti-pollution measures taken in Punjab to preserve the beauty of the land. He has also described the various measures taken by the chief minister to preserve the communal harmony which has been a characteristic feature of Punjab in recent years, especially since the present chief minister took office in 1972.

Who does not know that Punjab is the sword arm of India? Lying on the road to Delhi, Punjab had always to bear the brunt of invaders from Alexandar to the Pakistani attack in 1971. Lt. Gen. Harbaksh Singh has told some heart-stirring heroic exploits of some of the brave sons of Punjab. The love in which the soldiers are held by the people of Punjab is shown by the care which they bestow on the families of the retired or dead soldiers. Punjab has a soft corner for servicemen and Punjab's concern for the welfare of servicemen remains unexcelled. What Punjab has been doing for her soldiers should serve as a model for other states, if the youth of India are to give their best to the defence of the country? In this respect Punjab has built up a tradition of which both the state and India should be justly proud.

S.L. Kapur has drawn attention to modernisation of agriculture, the setting up of large industries, the spread of education, the diffusion of small scale industries with the help of electric power, the emergence of a net-work of banks, the development of rural link-roads, the electrification of all the villages in the state and the acquisition of technical skills by the new generation. The author has drawn attention to 'the growth centre' approach to correct regional imbalances. Work is proceeding at 26 growth centres. One of the serious limitations seemed to arise because of shortage of industial entrepreneurs. The author has drawn attention to a new programme for entrepreneur development which includes "identification of potential entrepreneurs, offering of suitable inducements to them to set up industrial establishments, helping them with requisite financial, technical and marketing inputs and also exposing them to modern management practices suited to their background and specific needs." The author has rightly stressed that "immense manpower skills and enterprise are to Punjab what oil is to the Middle East." After the green and white revolutions, Punjab may well soon experience industrial revolution.

increase in irrigation

Writing on development of irrigation in Punjab, Dr H.L. Uppal has shown how by various measures area under irrigation in Punjab has increased from 55.54 lakh acres in 1971-72 to 60 lakh acres in 1975-76. Also the number of tube-wells has gone up from 3,00,000 in March 1972 to 4,50,000 in December 1975.

Dr G.S. Kalkat writing on the food economy of Punjab has emphasised that the transformation of a deficit economy into a surplus food economy in Punjab took place mainly because of two factors, namely the government policy to create basic infrastructure needed for rapid increase in agricultural production, and secondly hard work of the peasantry, apart of course from favourable natural factors.

Attention has also been drawn to rapid

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pread of education in the state, especially ocational and sports activities. Punjab its not only the sword-arm of India but also her sport-arm!

Punjab is also in the forefront in implementing the 20-point economic programme.

All the authors are unanimous that the dynamic leadership of Giani Zail Singh has played a decisive role in the rapid and all round progress of Punjab.

Punjab which was in utter ruin immediately after independence has risen like Phoenix from its ashes and has shown the way to progress to other states in India. There is no reason why other states most of which are strategically better placed than Punjab should not emulate the noble and inspiring example of those indomitable people.

EMPLOYMENT

M. M. Mehta has made an attempt in his *Industrialisation and Employment* to examine, on the basis of historical and analytical reasoning, "the feasibility and practicability of bringing about a more labour-intensive product-mix and a more intensive technology-mix without compromising the overall rate of industrial growth in labour surplus and capital deficient countries of Asia and Far East." The author has also made an attempt to examine the nature of relationship between growth in manufacturing output and employment and measure the relative efficiency of labour-intensive and capital intensive industries in terms of costs, productivity, profits and value added. The author on the basis of his analysis and findings has also tried to give a broad framework of industrial strategy which could promote industrial growth as well as industrial employment and measures necessary to implement an employment-oriented industrial strategy. It should be clear that such a study should be of great significance to India which is a labour-surplus and capital-deficient over-populated country aiming at attaining rapid industrial development as well as higher levels of industrial employment. What have been the findings of the author and the measures he has proposed for the attainment of the objectives referred to above?

As regards the feasibility of adopting a labour-intensive product-mix and labour-intensive technology-mix for industrialisation programmes in developing countries like India, an important fact that has emerged from the author's analysis is that "the growth in manufacturing employment has lagged far behind the growth in manufacturing output." The relatively greater emphasis now being placed on capital goods industries (most of which are capital-intensive) as compared to consumer goods industries, and on heavy as compared with light manufacturing industries has tended "to widen the gap between the growth of manufacturing output and the growth of manufacturing employment."

This study has identified 'high' 'medium' and 'low' labour-intensive and capital-intensive industries in different countries. The author has also identified the labour-intensive industries with higher rate of return on capital invested and with larger propensity to save and invest than the capital-intensive industries and also labour-intensive industries having potential of securing increases in output and employment without at the same time compromising the rate of industrial growth.

vigorous measures

According to the author, the broad framework of an employment-oriented industrial strategy should include vigorous and concerted measures for (a) fuller and more efficient utilisation of idle capacity in manufacturing industries, (b) reducing the capital-intensity of industrialisation through measures such as (i) promotion of labour-intensive manufactures, and (ii) application of economically sound labour-intensive techniques of production; and (c) rapid expansion and promotion of technically sound and economically viable small-scale and cottage industries which could secure simultaneous increases in output, employment, savings and investments.

The author has given considerable emphasis on the development of viable rural industries such as processing, industries based on agricultural by-products, village handicrafts and cottage industries and ancillary and feeder industries.

According to the author, rural industrialisation would undoubtedly involve vigorous and concerted efforts on several fronts. A number of measures—administrative, technical, financial and organisational—will have to be simultaneously initiated, coordinated and executed to ensure that results obtained are commensurate with the resources spent. The two measures which appeared to have made sizable impact on rural industrialisation are: establishment of rural industrial estates, and rural electrification. From the experience gained in this regard over years, one feels confident that a comprehensive and well-integrated programme of rural electrification, development and extension of credit and marketing facilities, technical research and assistance, supply of improved machinery and equipment, extension of training facilities, etc. would surely assist the industrialisation of rural areas and provide gainful opportunities for employment in the rural areas at the same time adding substantially to national output.

large possibilities

According to the author, there are large possibilities of maximising the impact of industrialisation on employment through fuller and more intensive utilisation of idle capacity in manufacturing industries, progressive reduction in capital-intensity of many industries through deliberate promotion of labour-intensive methods and products for domestic and foreign markets and, as stated above, through financially viable, technically sound and economically promising rural industries.

As a result of empirical evidence gathered over years since the inception of planning in India, certain conclusions that should guide the policy-making in future appear to follow. There appears to be a sort of conflict between the two objectives of rapid economic growth and fuller employment, at least in the short-term. Decisions therefore will have to be made as to which objective should be sacrificed and to what extent to achieve the other objective. There is considerable scope at the margin for the substitution of one objective for the other. Secondly it should be noted that mere rapid growth in output, agricultural or industrial or in both, is not enough, if that is accompanied by increasing unemployment in the country. The unemployed without any income cannot have any share in the increasing output in the country. This would present a spectacle of increasing poverty of vast unemployed masses in the face of increasing output and material prosperity. Such a prospect cannot be welcome on political, social and humanitarian grounds. This also shows that the objective of fuller employment will have to be given higher priority than in the past. And lastly rural industrialisation would appear to solve the problems of both unemployment and rapid economic development. Rural industrialisation appears to have almost limitless possibilities of development. Though initially it might slightly retard the growth rate, in the long run, it would definitely accelerate it, thus removing any possibility of conflict between the objectives of rapid economic growth and fuller employment. It is therefore unfortunate that throughout the planning period in India, rural industrialisation has not received due attention and has been given low priority. From the analysis in this book, it should be clear that rural industrialisation appears to hold the key to economic progress of the country along right lines helping the country to realise various objectives such as rapid economic development, fuller employment, industrial dispersal, avoidance of slums and pollution and environmental balance.

COMMUNIST TAKEOVERS

Thirty-one scholars from the United States, Europe, Asia and Latin America have contributed a chapter each on the area of their specialisation to *The Anatomy of Communist Takeovers* which deals in depth with all the successful communist takeovers from 1917 to the present day—from Russia to Cuba—and also discusses the communist takeovers that failed.

The study of communism so far is generally restricted either to the discussion of the theory of communism or to the development only in countries like Soviet Union, communist China and eastern Europe. This book is the first book of its kind dealing exhaustively with all the successful as also unsuccessful communist takeovers in different parts of the world. Beginning with the Bolshevik revolution in Russia, and ending with the establishment of communism in Cuba, the book tells the story of communist seizures of power in Europe, Asia, Latin America and the Middle East. It is also the first work to concern itself extensively with communist takeovers that failed—German (1918-23), Finland (1918 and 1944), Hungary (1919), Poland (1920), China (1924-27), Greece (1944-49), Austria (1945), Northern Iran (1945-46), Guatemala (1951-52), Indonesia (1965) and South Vietnam after World War II. It appears from the above list that more communist revolution have proved unsuccessful than those that have succeeded.

Bolshevik revolution

The revolution that started all the other communist rovolutions was the communist revolution in Russia in 1917. The Bolshevik revolution was characterised by the use of armed forces, use of propaganda, ruthlessness, party dominance, planning and use of camouflage. Though communist revolutions in other countries were said to have been modelled after the Russian pattern, this is only partly true.

According to the authors, from the day the communists seized power in Russia, the Bolsheviks tried to incite revolts in other lands. Money was given for propaganda arms and agents, while prisoners of war in Russia were indoctrinated and sent back to Germany, Austria, Hungary and other countries. In 1919 the Communist International (Comintern) was created for the specific purpose of bringing about world revolution. But the communist efforts to incite successful revolts during the years 1919-24 in Germany, Hungary, Austria, Slovakia, Poland, Bulgaria, Estonia and Northern Iran resulted in failures. During this period (1919-24) the communist efforts to incite successful revolution succeeded only in Outer Mongolia where extensive use was made of camouflage and gradualism thereby minimising opposition from the population and avoiding the necessity of civil war. According to the authors, the takeover of outer Mongolia served as a dress rehearsal for the takeovers in eastern Europe and North Korea during the 1940s.

In 1917 the attitude of the Bolsheviks towards communist revolutions was influenced by three main considerations. In the first place, they believed in the inevitability of such revolutions; secondly, such revolutions were thought essential for the survival of the Soviet Union; and thirdly, they believed that it was their bounden duty as Marxists to promote revolutions, even if that meant sacrificing national interests. This in other terms means that during the early days, the Bolsheviks were to a great extent internationalists.

As time passed, the attitude of the Bolsheviks towards the communist revolutions changed. They did not consider revolutions inevitable; and as the Soviet regime managed to survive without the help from revolutions from abroad, it was felt that communist revolutions in other countries were not essential for the survival of the Soviet Union; and finally, the Bolsheviks were convinced that their chief duty was not to concentrate their efforts on revolutions abroad but rather "to preserve, protest and strengthen their own revolution." This meant that the Bolsheviks had now become nationalists giving the preservation of the interests of the Soviet Union top priority.

famous doctrine

Thus in 1924 Stalin proclaimed his famous doctrine of "socialism in a single country." According to Stalin, world revolution must be temporarily postponed because capitalism had stabilised itself and attempts to promote revolutions abroad should be postponed for the time being until conditions became more favourable. Meanwhile the Bolsheviks were asked to concentrate their efforts on building up the Soviet Union both economically and militarily. The Soviet Union was to be made an impregnable bastion of communism which would be ready to come to the aid of other revolutions when the moment was ripe. In practice nationalism was substituted for internationalism to which however lip sympathy continued to be paid by the Soviet Union. From 1924 to 1939, the Soviet Union and its tool the Comintern made no efforts to spread communist revolutions abroad. During these years the Soviet foreign policy was generally dual in nature. It maintained theoretical antagonism against the capitalist regimes while at the same time dealing with them peacefully.

The Soviet attitude towards China was a little complicated. The Soviet Union while supporting the Chinese Communist party which it helped to bring into existence in 1921, also gave aid to the Chinese Nationalist Party. Stalin had hoped to use Chiang Kai-Shek and then cast him aside; instead Chiang used the Soviets and then threw them out. This development only confirmed the Soviet faith in their doctrine of 'socialism in a single country.'

Stalin's decision to abandon temporarily the cause of world revolution was further strengthened by the rise of Hitler to power in Germany in 1933. Soviet Union could ill afford to antagonise potential allies. Consequently in years following the Nazi coup, the same old policy of both the Soviet Union and Comintern continued, efforts being concentrated on building up Russia militarily.

The Nazi-Soviet Union pact of 1939 led to World War II which in turn led to "the greatest expansion of communism in history". But here again Stalin was more concerned with the preservation of national interests and he could not be said to have been inspired by Marxist messianism.

greatest expansion

The period of the greatest expansion of communism was after the end of World War II when communist regimes were established in a total of twelve countries. The general pattern was characterised by the use of armed forces, by camouflage, by the doctrine of gradualism and by planning. There were four exceptions to the general pattern of communist takeovers in the 1940s—Yugoslavia, Albania, China and North Vietnam. In these countries it was the guerrilla takeovers by the respective communist parties in those countries. Czechoslovakia and San Marino represented two other exceptions to the general pattern of takeovers. Because of the popular support expressed through elections, the communist takeovers in the above two countries almost appeared legal as in the case of Kerala in India. Cuba's case was a little different because when Castro took over he was a professed believer in pluralistic democracy. It was only later on that Castro became a communist and Cuba a communist state.

Attention has been drawn in this book to communist failures in respect of takeovers in various countries after World War II—Greece, Finland, Austria, Iran, Burma, Malaya, Philippines, Indochina, South Korea, Indonesia, Guatemala and Chile where in 1973 CIA managed to oust constitutionally elected Dr Salvador Allende.

inspired takeovers

Prior to 1949 almost all communist takeovers were inspired and aided by the Soviet Union; but the triumph of communist party in China in that year created "another base from which the spread of Communist influence might be promoted." Prospects of the spread of communism from the Chinese base were considered bright at least by the Chinese communists for various reasons. In the first place, China was the largest, most popular and powerful country to become communist; secondly, China was geographically close to many Asian countries which were more or less ripe for communism; and thirdly, the Chinese communists thought that their brand of revolution was more relevant than that of the Soviet Union to the underdeveloped and agricultural countries of Asia and Africa. Chinese tried to spread communism in Korea, in Tibet after occupying it and later on in North Vietnam. The Chinese have given moral and often material support to communist movements in Laos, Cambodia, Thailand, Burma, Malaya, Singapore, Borneo and Indonesia. Aside from Asia, the Chinese have also been quite active in trying to promote revolutions in Africa. But the Chinese attempts have not borne much fruit in Africa. Similarly in Latin America the Chinese have had little success in winning friends or fostering revolutionary movements partly because they had to compete there with the United States and the Soviet Union. Communist China's activities in support of communist revolutions have taken varied forms such as disbursing arms and money (as in the case of Naga tribesmen), training guerrillas, bribing officials, disseminating propaganda, forming front organisations, encouraging political terror, tribal revolts, demonstrations, strikes and riots, etc., etc. But so far the Chinese efforts have been unimpressive and unfruitful.

The Soviet Union today looks upon the promotion of communist takeovers in a very realistic way, the primary consideration being whether or not such a takeover will promote the interests of the Soviet Union. In the olden days the Soviet Union assumed that establishment of a communist regime in any part of the world would automatically be good for the Soviet Union. But events in Yugoslovia, Albania, and especially in China have dramatically demonstrated the falsity of such an assumption. The Soviet Union is therefore much more realistic in its attitude and in seeing that its national interests are adequately served. That explains the support which the Soviet Union has been giving to the party in power in India at present having once condemned Gandhiji and Nehru as reactionary tools in the hands of the imperialists.

historical material

The book contains immense amount of historical material which should be of great interest to the students of history. The book however suffers from two defects. The approach is biased against communism. It should be remembered that communism cannot be fought successfully except by sincerely understanding its strong and week points. This calls for a dispassionate study of the historical developments. The book fails to satisfy this criterion while describing the events and analysing them. Secondly, analysis of economic and social conditions in the countries where the communists attempted to takeover has been completely eschewed. Unless one knows the economic and social conditions, one will not understand why the communist takeovers were successful in some countries and why they failed in some others. There is however no doubt that the articles written by experts make extremely interesting reading.

CONSUMER COOPERATIVES

Since its inception in 1960, International Cooperative Alliance Regional Office and Educational Centre for south-east Asia have recognised the great role that consumer cooperatives can play at all times and especially in times of scarcity and inflation. In view of this, seminars have been held from time to time to provide training to managers and other persons occupying positions of leadership in cooperative consumer organisations. The organisation held a conference in Kuala Lumpur in Malaysia in October 1974 as such a conference was felt necessary in view of unprecedented inflation which was gripping the various countries of the world including those of Asia and the shortages of essential commodities in many countries of the region. *Consumer Cooperatives in South East Asia* contains papers read at the seminar.

The history of consumer cooperation in south-east Asia began during the earlier part of the 20th century. Consumer cooperatives received considerable impetus during the period of two world wars. In many countries of the region consumer cooperative movement has come to be recognised as an important instrument of social and economic development after these countries attained independence in the late forties and early fifties. As the economies of those countries were predominantly agricultural, considerable attention naturally came to be given to the development of agricultural cooperatives. However, many governments recognised the importance of consumer cooperative organisations when rationing and price controls had to be imposed during world war II. Consumer cooperatives came to be recognised as the organisation which could be depended upon to distribute goods equitably and at controlled prices. Although consumer cooperatives have played an important role in solving people's problems at critical times, it is found the south-east Asian countries have not attached much importance to them except in time of emergency and therefore have not given them assistance and support during normal times. Naturally during normal times consumer cooperatives have practically found it impossible to sustain themselves in the face of widespread adulteration, illegal and unhealthy practices, short weighing, evasion of sales tax and such other malpractices of private trade.

The Asian conference on consumer cooperation has therefore made a number of suggestions with a view to strengthening the movement in the countries of the region. Since consumer cooperatives in India share all the defects mentioned above, it would be instructive to know some of the important recommendations made at the conference.

The resolutions and suggestions made by the conference fall under these categories—those relating to consumer cooperatives and consumer protection, relating to the structure of consumer cooperatives, and regarding government support to consumer cooperatives.

active role

As regards the first, in view of unprecedented price rise, suggestion was made that consumer cooperative movement should play a more active role in consumer protection through adequate and efficient supply of consumer goods and services at reasonable prices, through consumer education, information and mobilising public opinion and ensuring enactment of needed legislation and its enforcement. Suggestion was made at the conference to governments in the region to enact comprehensive consumer protection laws and regulations and ensure effective enforcement of the existing and future laws to be enacted. Consumer protection laws should provide, among other things, for compulsory price-tagging, use of standard weights and weighing machines, establishment of government testing laboratories and an effective inspection and enforcement machinery.

Suggestion was also made at the conference that wherever possible efforts should be made to increasingly involve women and youth in the consumer cooperative movement. It was also suggested that consumer cooperatives should work in close cooperation with agencies such as consumer associations, trade unions, women's and youth organisations, government departments and so on. Cooperation among these institutions and agenci should be for evolving suitable polici and to coordinate the activities, for e changing technical information on retai ing, warehousing and wholesaling, f training and exchange of cooperativ management personnel and for undertak ing research activities.

As regards the structure of consume cooperatives, the conference recommende that efforts should be made to develop strong chain of consumer cooperativ shops in urban areas, that these shoul mainly cater for the needs of the broa masses of urban families with fixed incomes such as industrial workers and othe persons in the lower and middle incom groups. It was also recommended tha consumer cooperatives should confin themselves to a limited assortment o commodities such as food items, toiletrie and other essential goods which are generally purchased by the fixed income grou consumers. It was suggested that control system in cooperative shops should be carefully developed by having monthly stock-taking and a completely up-to-date book-keeping. It was also recommended that efforts should be made to build competent cadres of managers and sales personnel through an effective system of recruitment and training.

effective support

As regards government support to the movement, noting that the consumer cooperative movement caters for the needs of the middle and lower income groups and helps the government in its policy of maintaining adequate supplies of essential commodities and stable prices, the government should provide effective support to consumer cooperatives to enable them to find suitable sites, to build warehousing and distribution centres and provide financial assistance. The conference recommended to the governments that the support which they give should not be accompained by political pressures and bureaucratic control over the consumer cooperative movement.

There is as much need of consumer cooperatives for the middle and lower income groups in India as of agricultural credit and non-credit cooperatives for India's rural masses. The need has become all the greater since the beginning of World War [illegible] as from that time scarcities of essential commodities and inflationary price increases continue to be common features resulting in oppressive burden upon the fixed income group people. And yet in spite of their necessity and favourable conditions, consumer cooperatives have not made much progress in most of the states in India excepting Tamil Nadu. It would be in the interest of both the affected people and also the government aiming at stabilisation of prices of essential commodities and ensuring their adequate supplies that the state governments give adequate encouragement and support to the movement along the lines suggested by the conference.

Industrial licensing

A Handbook on Industrial Licensing: Published by the Indian Chamber of Commerce, India Exchange, India Exchange Place, Calcutta-7000 001; Pp. 117; Price Rs 6.50.

Reviewed by **B. Ganapathy Sarma**

It is imperative for a country to have a dynamic industrial policy which would not only direct development along the desired and most beneficial lines but also be suitably modified in the light of the changing needs and circumstances. The Industrial Policy Resolution of 1948, modified in 1956, lays down the basic policy framework for our country. Under the policy what is aimed at is acceleration in the rate of economic growth and speeding up of industrialisation, thereby increasing the opportunities for gainful employment and improving the living standards and working conditions of the masses. Besides the policy aims at reduction in disparities in income and wealth and prevention of private monopolies and concentration of economic power in a few hands.

Vast changes have taken place in industrial policy and procedures in recent years and it is rather difficult for an entrepreneur to keep track of them. Hence there has been a long-felt need for a comprehensive and compact handbook which gives in a lucid manner all the essential features of the licensing policy and procedures. The Indian Chamber of Commerce, Calcutta, has filled this void by bringing out its handbook on Industrial Licensing.

The handbook has been broadly divided into two parts—the first part dealing with the licensing policy and the other with procedures. Necessary forms and schedules have been given in the Appendix.

This handbook will be extremely useful to entrepreneurs and to all those for whom it is intended.

Advertising and communications

Cases in Advertising and Communications Management in India: By Subroto Sen Gupta, Published by Indian Institute of Management, Ahmedabad; Pp 161+80; Price: Rs 45

Reviewed by **Ananda Mukerji**

As an organised business in India, advertising is not many decades old. As a profession, it is younger still. Or, perhaps, it would be really correct to say that advertising is still not quite a profession, because it does not yet have the support of a body of research findings, case histories, general principles and ethical concepts which alone can strengthen its claim to be a profession.

Yet if advertising today is at least a near-profession, it is largely due to the consistent and dedicated efforts of just a handful of advertising men in our country. Certain to be counted amongst them is Mr Subroto Sen Gupta, whose *Cases in Advertising and Communications Management in India* is one more instance of his single-minded devotion to the development of advertising. This book is sure to stimulate a lot of thinking among practitioners of advertising.

The arrangement of the book is eminently conceived. First comes the evaluation of a marketing situation to specifically identify the advertising opportunity, to find out if the solution to the problem lies at all in advertising. This first step is unfortunately generally neglected, which inevitably results in advertising being blamed when the problem remains unsolved.

Mr Sen Gupta deals next with the importance of brand positioning, and illustrates with two excellent cases of Vicks Vaporub and a detergent washing tablet. The various steps in the Vicks case fit so neatly into each other that it takes one's breath away, and makes one wonder if the logic was put together by foresight or hindsight.

Then follows the development of the purchase proposition, the "reason why" of advertising. The sections on creativity and creative judgement, media planning, measuring advertising effectiveness and consumer promotions follow. Finally, Mr Sen Gupta deals with two instances of what he aptly calls social marketing, one of them being the well-known Nirodh marketing project.

illuminating reading

To advertising men and observant professional managers (and there are many), who remember most of the advertising campaigns in the newspapers. the cases will make illuminating reading. The logic of each case is developed with masterly clarity and brings out sharply the complicated and exciting process of campaign planning.

One of the most interesting cases is about Larsen & Toubro Contactors, in which many techniques of consumer product advertising were brought into play to sell an engineering product. Another is on Syrup Minadex, where the campaign does not seem to settle down as it did in the case of Incremin. Why? Is it due to wrong premises, defective feedback or just panic? Alas, Mr Sen Gupta keeps us guessing.

Indeed, this is the chief quarrel with Mr Sen Gupta's handling of the cases. After leading us on with tantalising felicity, to an account of the reasoning involving in each case, he does not reveal the final solution. He calls his cases "open ended", but they leave the reader in the end dissatisfied. The questions after each case, upon which the reader is expected to exercise his mind, are no substitute for the final solution and the reason "why". Imagine medical case histories left open ended!

This is what makes Mr Sen Gupta's book somewhat anecdotal.

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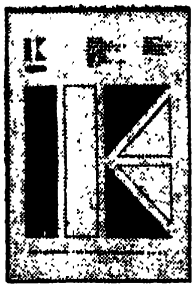
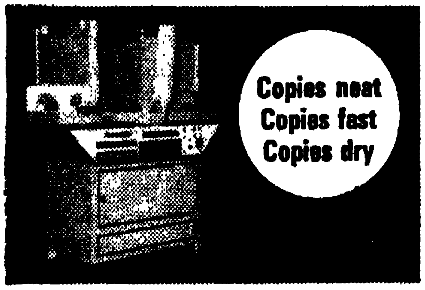

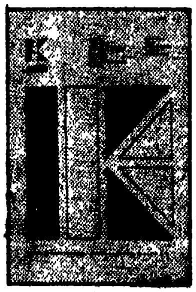

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TRADE WINDS

Import Policy Liberalised

IN VIEW of the comfortable foreign exchange position, the government announced further liberalisation of the import policy by placing the import of permissible spare parts on open general licence.

The government also announced the detailed procedure for the import of machinery under the liberalised schemes introduced recently. Moreover, the procedure for the import of capital goods by DGTD units has been simplified. As to the import of spare parts, a notification issued by the government says that "the central government hereby gives general permission for the import of permissible spare parts meant for the maintenance of imported machinery or imported parts of indigenous machinery until further notice." The OGL treatment given to spare parts will be subject to the following conditions.

The import shall be made only by an actual user duly registered with DGTD or the state director of industries, or other sponsoring authorities as the case may be, requiring spare parts for maintenace of imported machinery or imported parts of indigenous machinery installed or used in his own factory, including spare parts of ancillary equipment control and laboratory equipment and safety appliances. The importer shall produce to the customs authority at the time of clearance, a declaration giving the particulars of his registration as an industrial unit with the concerned authorities and affirming that the said registration has not been cancelled or withdrawn or otherwise made inoperative. The term "permissible spare parts" will include all spare parts except those which are specifically shown as non-permissible under the policy for actual users in Section II of the Import Trade Control Policy Red Book (Volume I) for the year April 1976-March 1977.

Even if any serial number of the ITC schedule which include finished products as well as spare parts thereof, has not been shown in Section II of the policy, the spare part covered by that S No will be treated as permissible. The definition of spare parts for the purpose of import under this licence shall be as follows: Spare parts are those parts of machines which, because of wear and tear, use or breakage need replacement. These may include materials (a) like pipes and tubes, electric cables wires, hoses and belting imported in length which have merely to be cut to the required size or bent before being used; (b) consumable stores like refractory material and welding electrodes; (c) sub-assemblies of essential parts of the machines; (d) complete which units are to be fitted with a machine like water circulatory pumps, motor panel bolts and gears. Materials such as plates and sheets which are required to be fabricated for manufacturing spare parts and such complete units which are installed separately will not be treated as spare parts.

Machinery for Export Units

With regard to import of machinery for export-oriented industries, it has been decided that industrial undertakings which have been exporting more than 20 per cent of their total production during the past three years and undertake to continue to export more than 20 per cent of their total enhanced production for the next five years, will be allowed to import machinery freely up to a total value of Rs 1 crore in a year. This is, however, subject to the condition that where an industrial undertaking has been licensed with an initial export obligation of higher than 20 per cent it will have to maintain that higher level of exports and give an undertaking to that effect. Import of items, which are not normally permissible under the existing import policy will be allowed under this liberalised policy. Applications will be considered against free foreign exchange, foreign exchange loans either sub-allocations from term financial institutions or bilateral credits. In considering these applications, the procedures of scrutiny from the generous availability and clearance of capital goods committee will be dispensed with.

Steps for Forward Remittances

The union government is considering proposal to give several new concessions to Indians abroad for attracting more inward remittances from them. According to authoritative sources, these proposals relate to acquisition of immovable property by non-resident

Alloy Steel

At a recent Press Conference in the capital, Dr B.C. Jain, managing director of Bihar Alloy Steels Ltd, said that despite repeated representations made by the alloy steel industry and the Alloy Steel Producers Association of India, import licences valued at Rs 93 crores and Rs 21 crores had been issued by the government during 1975-76 and April 1976 to July 1976 respectively, for different types of alloy steel even though the indigenous units had the capacity to supply all the imported items. He urged the government to ban the import of various varieties of alloy steel so as not to cause further harm to domestic producers of alloy steel.

Reviewing the progress of this industry during the past decade he said that the capacity of the alloy steel plants in this country had risen to 500,000 tonnes. If the imports of alloy steel had not been allowed, the capacity available in the country would have been used intensely leading to reduction in cost. An early policy decision in this regard will not only increase indigenous production of alloy steel but will also prevent outgo of valuable foreign exchange.

Indians in India, permission to import certain items on a liberalised scale and to utilise a specified percentage of remittances deposited in non-resident (external) accounts as foreign exchange for a specified period even after a non-resident Indian has returned to India. It is also proposed to add a proviso under the existing clause (d) of explanation under Section 5(2) of the Mines and Minerals (Regulation and Development) Act, 1957, to the effect that a person of Indian origin settled in Africa or such other countries as may be notified from time to time shall be deemed to be an Indian National. This is being done as much in the context of welfare of persons of Indian origin settled and domiciled in certain countries hit by apartheid policy of economic discrimination as for enticing them to invest their savings in their home country.

Proposed Amendment

Under the proposed amendment of the Mines and Mineral (Regulation and Development) Act, it is intended to make it permissible for such persons to be treated as Indian nationals for purpose of this Act so that they can secure mineral concessions in this country. Indian professionals residing abroad will be persuaded to enter into a contract with the government to remit at least 10 per cent of their earnings periodically to India through authorised channels. The government has been encouraged to consider the grant of further concessions to non-resident Indians because of the phenomenal success of its four earlier schemes which have resulted in a dramatic rise in the rate and quantum of remittances from Indian abroad. During the first nine months of current calendar year, the inward remittances have aggregated Rs 1123.83 crores.

Tax Agreements

India and Ethiopia

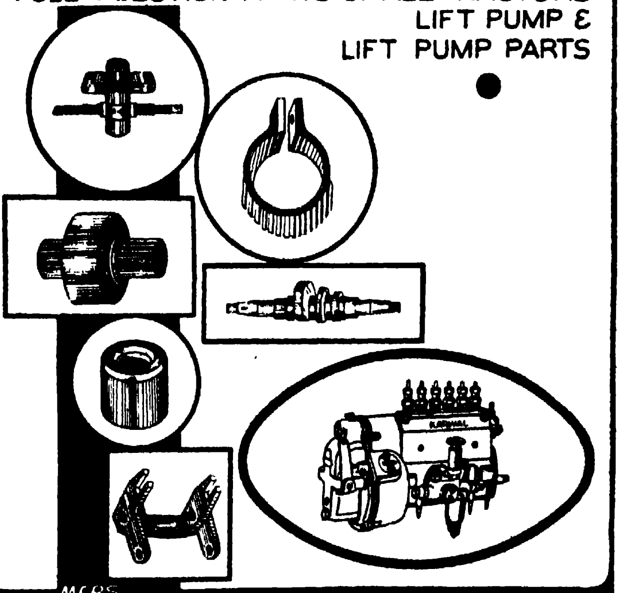
The government of India has entered on November 25, into an agreement with the Government of Socialist Ethiopia for the avoidance of double taxation of income of enterprises of the two countries operating airport in international traffic. The Agreement was signed here by Mr P.K. Mukherjee, Minister of Revenue and Banking and Mr Berhane, S.A. Deneke, Charge d'Affeirer of the Ethiopian Embassy in New Delhi. Under the Agreement, profits derived by an enterprise of either Contracting State from the operation of aircraft in international traffic will be exempt from tax in the other State and will be taxable only in the country of residence of the enterprise. This exemption will be available for the earlier years also.

India and USA

Letters were exchanged on November 26 between the Government of India and the Government of USA constituting an agreement between the two governments for the avoidance of double taxation of income of the international airlines of the two countries. As a result of the agreement, profits of Air-India will not be taxed in the United States and of PANAM and TWA will not be taxed in India. Mr S.R. Mehta, Chairman, Central Board of Direct Taxes, and Additional Secretary to the Government of India, and Mr David T.Schneider, Charge d'Affeirer, Embassy of the United States of America in India, exchanged the letters on behalf of their respective Governments. This Agreement follows talks between the two Governments at the delegation level in May 1976 when a draft agreement was initialled. India has entered into similar limited agreements in respect of air and shipping profits with Afghanistan, Iran, Italy, Lebenon, Rumania and Switzerland. Comprehensive agreements covering all types of income have also been entered into with several countries.

Family Planning for Govt. Employees

In pursuance of the National Population Policy, the government has introduced disincentives as part of the drive to make central government employees adhere to the small family norm. These new rules, applicable to those who overstep the optimum family size o three children after Septemb 30, 1977, will come into forc from October 1, next yea Employees exceeding the permissible limit after Septemb 30, 1977, will no longer b entitled to maternity leave children's education allowance leave travel concession in respect of the fourth or th subsequent child, governmen accommodation, house-building or canveyance advances The rules lay down that maternity leave admissible under the Central Civil Services (Leave Rules, 1972, or any other rules governing the grant of leave will not be given to female government employees in respect of a child expected or born after September 30, 1977, if it is the fourth or the subsequent child. Other forms of leave, however, including leave



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not due and extraordinary eave, will be allowed.

Children's education allowance, to which employees are at present entitled regardless of the number of children, will not be admissible in respect of the fourth or the subsequent child born after September 30, next year. The same rule will apply also in case of leave travel concession to home town once in two years or to any place in India once in four years, as also in case of transfer travel allowance.

The fourth child above the ceiling will also render the employee ineligible for housebuilding and festival advances and for advances to purchase conveyance and table fans. These benefits will, however, be restored if the employee or his/her spouse gets sterilised and produces the certificate from the authorised clinic or hospital.

Import of Staple Fibre

The government have extended the period of free licensing for import of viscose staple fibre and polynosic staple fibre upto October 31, 1977. While normal customs duty on these items is 120 per cent plus Rs 1.50 per kg, the Department of Revenue and Banking have, with a view to encourage their use to relieve shortage of cotton, exempted them completely from levy of customs duty. This exemption would be available upto October 31, next year.

Decentralisation of Polyester Imports

The Indian Cotton Mills' Federation has welcomed the decanalisation of the import of polyester fibre and its free licensing. This will result in cutting out the delays in import and bringing down the price of imported fibre. Not only will the larger availability of this fibre ease the pressure on supplies of cotton but it will also give a further thrust towards multi-fibre textile policy envisaged by the commerce minister, stated a press release issued by the federation.

PNB Defence Pension Scheme

A 'jawan pension scheme' was announced recently by Punjab National Bank—the first of its kind covering the defence services—offering a gratuity five-and-a-half times the deposited amount. The bank's chairman, Mr T.R. Tuli, also announced at a press conference that a 'bank on wheels' will start operating in the Delhi Cantonment area for the benefit of patients in the military hospital and separated families. The minister for Revenue and Banking, Mr Pranab Mukerjee, inaugurated the bank's special defence services welfare cell, headed by a retired Brigadier, to serve the needs of the defence personnel and ex-servicemen.

Rural Savings

The Reserve Bank of India has evolved a modified scheme for issue of rural debentures to tap savings of individual investors in the rural sector for financing local development programmes. The rural debentures will be issued by the approved state-sponsored institutions like state etectricity boards, agro-industries corporations, housing boards (rural housing), and co-operative processing and marketing societies.

The rural debentures will be sold to individual investors only. Companies, banks, LIC, provident funds, trustee funds and other institutions will not be permitted to subscribe to these debentures. The modified scheme, which has been formulated in accordance with the suggestion made by the prime minister at the National Development Council meeting held in September, replace the earlier rural debentures scheme forwarded by the Reserve Bank to state governments in 1972. The new scheme seeks to provide an additional instrument for mobilising individual savings in the rural areas, for financing local development programmes.

The interest rate for these debentures will be 12 per cent per annum and these debentures will not be guaranteed by the state governments in respect of payment of interest or repayment of principal. The debentures will nature after 10 years and the interest would be payable half yearly. It will be open for the concerned debentures issuing authority to pay brokerage and underwriting commission at 12 paise and 38 paise, respectively for Rs 100 as in the case of other bonds.

Industrial Production

The general index of industrial production in Delhi has gone up from 100 in 1970 to 113.11 in 1975-76, thereby registering an increase of 13.11 per cent in the last five years. This fact is reflected in the report on the index of industrial production for the union territory of Delhi, prepared by the bureau of economics & statistics, Delhi Administration, which was released by Mr Radha Raman, chief executive councillor at a press conference recently. He told pressmen that there had been a significant rise of 7.9 points in the

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index from 105.20 in 1974-75 to 113.11 in 1975-76 which could largely be attributed to the new economic discipline brought about in the post-emergency period. In the atmosphere of peace and constructive action that followed the pursuit of a more purposeful and growth-oriented economic strategy was made possible.

Assistance from Poland

Poland has offered to give financial and technical assistance in the establishment of joint ventures in this country on 100 per cent export basis. The areas where Poland has shown keen interest for such projects include alcohol, vodka from potato, deep sea fishing and pharmaceuticals. Disclosing this at a press conference, recently, Mr J. Desai of Kelvinators, who recently led a trade delegation to that country, said that Poland was the first Comecon country to offer equity participation in joint projects to be set up in India.

Trade with Brazil

The possibilities of expanding and diversifying trade and industrial cooperation between India and Brazil were discussed at Brasilia on November 23. Indian delegation for the trade talks was led by the union foreign trade secretary, Dr P.C. Alexander, and included the chairman of the Projects and Equipment Corporation, the chairman of the National Industrial Development Corporation and a representative of the State Trading Corporation. The ministry of Commerce is also organising a wholly Indian trade fair in Rio De Janeiro from November 25 to December 4, 1976. A vast array of sophisticated manufactures will be displayed showing India's capability in those areas in which Brazil may be interested. It is hoped that the fair will promote India's trade and econonomic relations with Brazil.

Names in the News

Dr L. K. Behl has been appointed chairman of the public sector Indian Drugs and Pharmaceuticals Limited for a period of five years. He succeeds Mr Jaisukhlal Hathi, who has since taken over as Governor of Haryana. Dr Behl was earlier Managing Director of IDPL which has three units operating in the country—the Antibiotics plant at Rishikesh, the Synthetic Drugs plant at Hyderabad and the Surgical Instruments plant at Madras. Dr Behl joined IDPL in December 1962 as works manager of the Synthetic Drugs Plant and later became its general manager in 1968. He was appointed managing director of IDPL in 1973.

Mr. **V.H. Dalmia**, Director of Dalmia Cement (Bharat) Ltd., has been chosen president of the Indian National Committee of the International Chamber of Commerce. Mr Dalmia is also chairman of Dalmia Dairy Industries Ltd., Raza Buland Sugar Co. Ltd. and Alirox Abrasives Ltd. He was president of Cement Manufacturers Association for two terms and president of the Indian Sugar Mills Association during 1969-70.

Dr. Manmohan Singh, Secretary, Economic Affairs, ministry of Finance has been appointed Alternate Governor for India on the Board of Governors of the International Bank for Reconstruction and and development from November 8, 1976 in place of Mr M. G. Kaul.

Department of Atomic Energy

On behalf of the President of India, the Director of Purchase & Stores, Dept. of Atomic Energy, Bombay, invites tenders as detailed below:—

1. DPS:PPED:PPF: 931 due on 4-1-77: Supply of Seamless stainless steel tube as per purchaser's tender specifications.

2. DPS:NFC:FAB: 55 due on 16-12-76: Design, fabrication and supply of M.S. Air Receiver, vertical mounting type, as per purchaser's specifications and drawings — Qty. 1 No.

3. DPS:BRC:FAB: 147 due on 17-12-76: Preparation of shop drawings, manufacture, inspection, assembly and testing of stainless steel vessel required for sodium testing of control rod drive mechanism as per purchaser's specification and drawings. — 1 No.

4. DPS:TAPS:CAP:45 due on 20-12-76: Salt service water pump diffuser, material: SS316, ASTM — A 296 —CF—SM, as per purchaser's specification and drawing. — 5 Nos.

5. DPS:AMD:CAP: 244 due on 22-12-76: Diesel engine operated pumps, suitable for pumping about 454 litres of water per minute to a height of about 40 m., as per purchaser's specification. — 3 Nos.

6. DPS:BARC:CAP: 1871 due on 27-12-76: Power operted over crank guillotine shearing machine, capacity 3.2 mm or suitable for cutting stainless steel satisfactorily, as per purchaser's specification. — 1 No.

7. DPS:PPED:MIA: 418 due on 30-12-76: The Design, manufacture and supply of Electronic Recorders, single pen, chart width from 100 mm. to 160 mm. Chart speed 20 mm/hr. Scale range 0-100 mm and or 0-30m—VAR etc. to work on 240V AC 50 c/s. — 5 Nos.

8. DPS:NFC:CAP: 402 due on 24-12-76: Manufacture, supply, packing, transportation, supervision of erection, commissioning and guarantee of demineralisation plant for Nuclear Fuel Complex, Hyderabad, as per purchaser's specification. — 1 Unit.

9. DPS:HWP:PPF: 560 due on 7-1-77: Supply of Stainless steel/carbon steel gate globe and check valves for high pressure sealant system as per purchaser's tender specification.

10. DPS:PPED:CAP: 200 due on 21-12-76: Design, manufacture, assembly, testing delivery, properly packed for transport, transportation to receiving and storage at site, erection, testing and commissioning at site of one stream of complete demineralizing plant with all components and accessories for use in Rajasthan Atomic Power Project Units 1 & 2, as per purchaser's tender document and drawing.

11. DPS/R-5/PPF/147 due on 31-12-76: Supply of Austentic Stainless steel seamless round tube/pipe as per purchaser's tender specifications.

12. DPS/NAPP (PPED)/EEQ/30 due on 10-1-77: Design, manufacture, testing and delivery of 220 KV Lightning Arrestors as per specification.

13. DPS/BARC/EEQ/2490 due on 11-1-77: Supply of Automatic constant current DC Rectifier and Central control Panel—1 No. each as per specification.

14. DPS:PPED:PPF: 932 due on 13-1-77: Supply of steam Dump and discharge control valves with body of Carbon steel as per purchaser's tender specifications. Tender documents priced Rs. 20/- for items at S.No. 1, Rs. 25/- each for items at S.Nos.: 2 to 7; Rs. 30/- each for items at S.Nos. 8 & 9; and Rs. 50/- each for items at S.Nos. 10 to 14 and general conditions of contracts priced Re. 0.50 p except for items at S.Nos. 2 & 3 can be had from the Finance & Accounts Officer, Dept. of Atomic Energy, Directorate of Purchase & Stores, 3rd floor, Mohatta Bldg, Palton Road, Bombay-400001 between 10 a.m. & 1 p.m. on all working days except on Saturdays.

Tender documents and general conditions of contracts will, however, be issued upto 15-12-76; 17-12-76; 23-12-76; 20-12-76 and 16-12-76 for items at S.Nos. 4, 5, 6, 8 and 10 respectively. Import licence will be provided except for items at S.Nos. 2, 3, 7, 12 & 13 only if the items are not available indigenously. Tenders will be received upto 3 p.m. on the due date shown above and will be opened at 4 p.m. on the same day. The right is reserved to accept or reject lowest or any tenders in part or full without gssigning any reasons.

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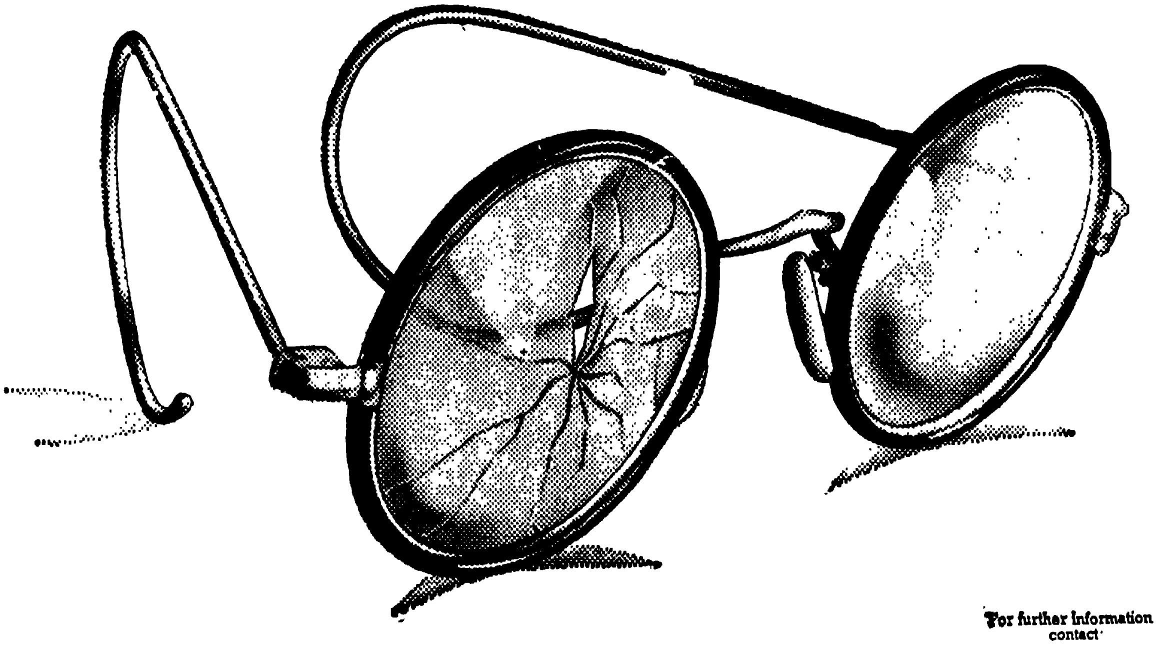

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COMPANY AFFAIRS

Bajaj Auto

BAJAJ AUTO Ltd has reported considerable improvements in its working results during the 15-month period ended June 30, 1976. Sales recorded a handsome rise to Rs 43.30 crores during the year under review as against Rs 26.31 crores during the 12-month period ended March 31, 1975. Gross profit too recorded a sharp rise to Rs 7.42 crores from Rs 3.47 crores in the preceding year. Out of the gross profit, the directors have appropriated Rs 1.96 crores to depreciation reserve, Rs 70,000 to development rebate reserve, Rs 1.30 lakhs to investment allowance reserve and Rs 346.50 lakhs for taxation. A sum of Rs 29,709 was written off against leasehold land. The net profit after these allocations amounted to Rs 196.27 lakhs. The directors have recommended a dividend of Rs 18 per equity share. This will claim Rs 42.31 lakhs.

The directors have decided to capitalise a sum of Rs 2.35 crores from the general reserve and issue bonus shares to the shareholders in the ratio of 1:1. The bonus shares will rank for dividend for the financial year beginning from July 1, 1976. The company has already received the consent for the issue of bonus shares and the same will be allotted to those shareholders whose names appear in the register of members as on September 22, 1976.

The company's authorised capital was also modified from the existing 400,000 equity shares of Rs 100 each and 100,000 unclassified shares of Rs 100 each to 500,000 equity shares of Rs 100 each.

Neiveli Ceramics

Neiveli Ceramics and Refractories Ltd has reported highly encouraging working results during the year ended June 30, 1976. This has enabled the directors to declare a maiden equity dividend of 7.5 per cent for 1975-76. The working of the company during the year has resulted in a surplus of Rs 20.81 lakhs. After providing Rs 5.38 lakhs for depreciation, the net surplus worked out to Rs 15.43 lakhs. With the brought forward sum of Rs 1.21 lakhs, the disposable surplus amounted to Rs 16.64 lakhs. Out of this, a sum of Rs 2.50 lakhs was allocated to capital redemption reserve, Rs 6.78 lakhs for payment of arrears of dividend on preference shares up to June 30, 1975, Rs 1.24 lakhs for payment of preference dividend at 9.5 per cent for the year ended June 30, 1976, Rs 3.10 lakhs for payment of equity dividend at 7.5 per cent and Rs 3.00 lakhs to general reserve. The balance of Rs 2,393 has been carried forward to the next year's account.

During the year production went up to 3494 tonnes from 2520 tonnes in 1974-75. The considerable improvement in production became possible because of three developments—firstly there was production throughout the year whereas in the previous year there was production only for 10 months, as the factory has been closed down for repairs to the kiln for a period of two months; secondly as a result of part modernisation of the main kiln and thirdly because of bringing into operation of its push bat kiln. The modernisation of its main kilm has not yet been completed and when this is fully implemented it will be possible for the company to step up production still further. The loan from the Tamilnadu Industrial Investment Corporation is likely to be received during 1976-77 which will enable the company to complete modernisation of the main kiln and increase in the production capacity of other sections.

ACC

For the second year in succession, the Associated Cement Companies Ltd has been able to further improve upon its performance in the absence of external constraints which were mainly responsible for lower utilisation of rated capacity in the past. The production of cement at 62.66 lakh tonnes during the year ended July 31, 1976 was higher by 4.71 lakh tonnes — an increase of 8.1 per cent over the previous year. The sale of cement at 63.40 lakh tonnes was still higher by 5.21 lakh tonnes — an increase of 9.0 per cent over the previous year. Sale of silvicrete white cement at 45,750 tonnes is almost the same as last year.

During the year ended July 31, 1976, a total quantity of 93,940 tonnes of cement was exported as compared with 1,08,855 tonnes in the previous year. The foreign exchange earnings from these exports were about Rs 3.67 crores as against Rs 3.41 crores in 1974-75. During 1975-76, despatches of oil well cement from Shahabad Works were 15,688 tonnes, which are the highest ever recorded for any year, surpassing the previous best figure of 11,215 tonnes in 1968-69. The company is the only manufacturer in the country of this type of cement.

Lower Profits

Despite record sales of cement touching 93.4 per cent of the rated capacity, the profit after meeting all expenses but before providing for depreciation, development rebate reserve, investment allowance reserve and taxation was substantially lower at Rs 8.39 crores as compared to Rs 12.92 crores in 1974-75. Uncompensated increases in costs and higher interest on account of increased borrowings for working capital were the main factors for the decline in the profit for the year. The sales realisations would have improved to the extent of Rs 167.4 lakhs if the announcement of the retention price had been effective from August 1, 1975 instead of from October 1, 1975. (Actually the increase in the retention price should, according to the government's announced policy, have been given with effect from July 1, 1975.) The directors have recommeded an equity dividend of Rs 12 per share as against Rs 14 per share paid in 1974-75.

Machinery erection work for expansion of Jamul Works to increase its annual capacity by 2.0 lakh tonnes to 12.8 lakh tonnes has been completed and trial runs of the machinery have been taken in hand. The capacity of Bhupendra Works which was raised to 3.53 lakh tonnes per annum has been further increased to 4.06 lakh tonnes recently.

The company has received

etters of intent for setting up new cement factories at Gagal, District Bilaspur, Himachal Pradesh, and at Bonakalu, District Kammam, Andhra Pradesh, each for a capacity of 4.00 lakh tonnes of portland cement per year. Letters of Intent have also been received for extension of Wadi, Porbandar and Khalari Works, by 5.00, 2.00 and 1.49 lakh tonnes per year, respectively. In November 1975, an application for industrial licence has also been made for expansion of Mancherial Works by 2.00 lakh tonnes per year. The capital cost for the implementation of these projects is presently estimated at Rs 114.12 crores.

NGEF

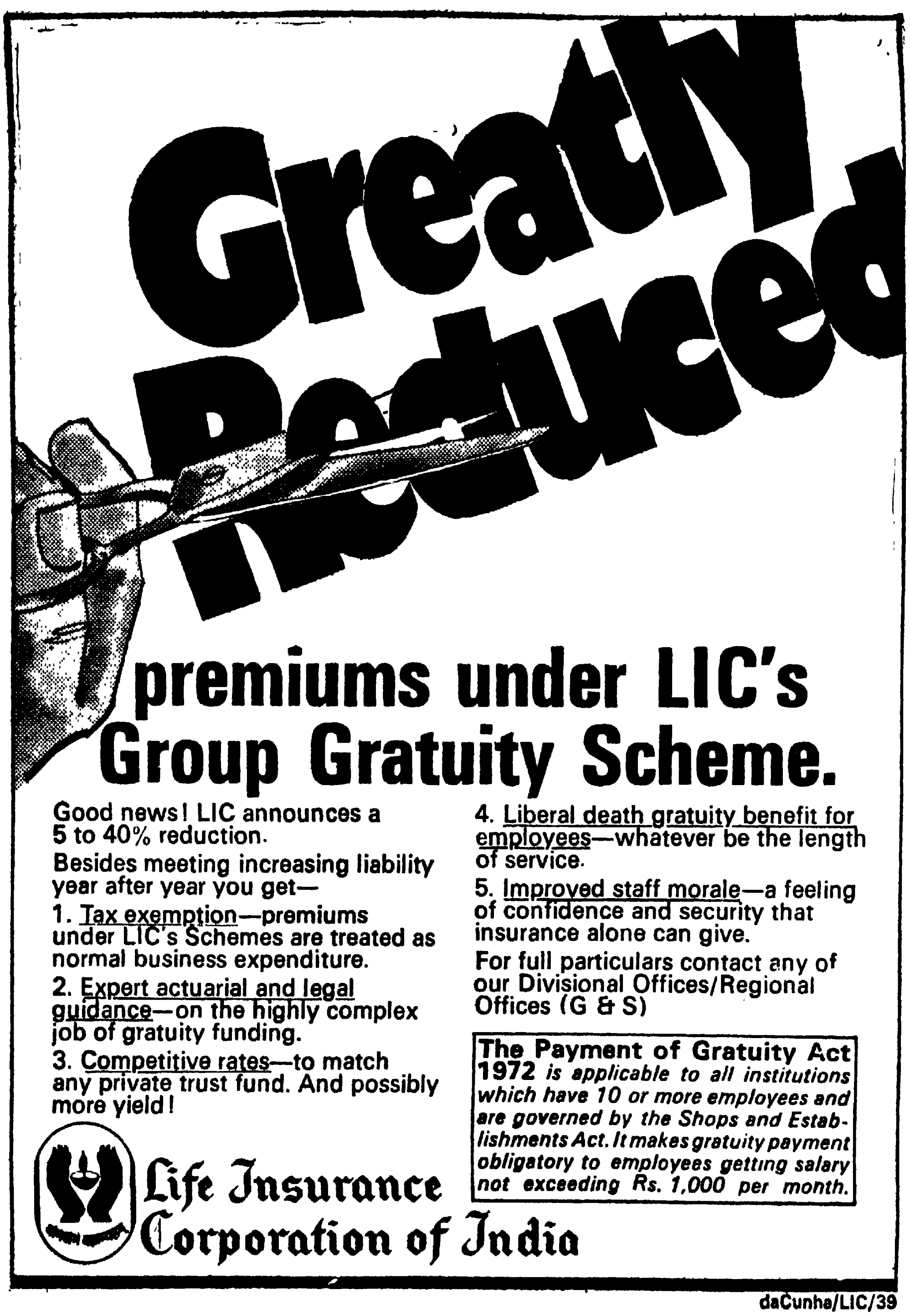
NGEF's impressive progress, spectacular performance and its ambitious expansion programmes were highlighted by the chairman Mr H.G.V. Reddy while addressing the annual general meeting of the company.

The year 1975-76 showed deepening of the recession in the engineering industry and the company had to face conditions of shrinking demand for its products resulting in increased competition among the manufacturers and fall in the prices of products. Despite these conditions NGEF Ltd was able to reach a turnover of Rs 30.64 crores. What is more the company exported products worth Rs 59.48 lakhs during the year.

It is heartening to note that the company in the past five years has registered an average annual growth in production of around 15 per cent and for the year 1975-76 the company has earned a pre-tax return of 27.35 per cent on capital employed.

For NGEF the year 1975-76 was one of commendable achievements in other respects also. The company had wiped out all its accumulated losses as at the end of the preceding year 1974-75. What is more significant and striking is that the company's operations during the year has resulted in a record profit of Rs 3.60 crores. The highly encouraging working results have enabled the directors to recommend a maiden equity dividend of eight per cent for the year.

The company has entered into a collaboration agreement and promoted a company jointly with Madhya Pradesh State Industries Corporation Ltd, Bhopal, to manufacture distribution transformers at Jabalpur. The factory has now gone into production. The company is being approached both from within India and abroad for similar collaborations. The company has decided to take up substantial expan-



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sion schemes to manufacture a number of products in collaboration with the world renowned electrical manufacturers M/s AEG-Telefunken of West Germany.

The first of these is the extra high voltage transformers project to manufacture power transformers of voltage rating 220 kV 245 kV and output from 50 MVA to 300 MVA and special transformers such as furnace transformers and rectifier transformers, etc, during the first stage and to manufacture transformers of 400 kV upto 400 MVA in the second stage. The project cost in the irst stage would be Rs 5.05 crores and for the second stage Rs 3.50 crores.

The second project is for the manufacture of dc motors and synchronous machines, reactor coolant pump motors, ac roller able motors and heavy motors up to 4000 HP. The project is estimated to cost about Rs 4 66 crores.

Special Appliances

The third project is to manufacture thyristors and thyristor convertors for special applicaions in steel mills, mining, railways and other industrial drives such as paper and cement ndustries. The project cost is stimated to be Rs 3.60 crores.

Finance for these expansion projects are proposed to be aised by increasing the equity y Rs 150 lakhs and diverting he generated internal resources o the extent of Rs 200 lakhs; he balance amounts are to be btained by way of long term oan from the government of Karnataka and financial instiions. In all, the outlay for the hree projects would be in the rder of Rs 16.81 crores with n additional employment otential of 750 to 1000 technial and non-technical personnel.

Work on these projects has commenced.

The company has completed the first decade of its operations and has successfully achieved the targets of growth and profitability.

The company has now taken up the task of preparing a comprehensive corporate plan for the second decade so that the activities of the company can be properly planned and coordinated to achieve the set objectives. The outline of this plan is engaging the attention of the board which is expected to finalise it shortly.

Warner Hindustan

The Board of Directors of Warner-Hindustan Limited at the meeting held at Bombay on November 20, 1976, has declared an interim dividend at the rate of Rs 1.50 per equity share of Rs 10 each (subject to deduction of tax at source at appropriate rates) for the company's current financial year. The company's share transfer books will remain closed for the said purpose between 14th to 17th December, 1976.

News and Notes

Phelps & Co, Private Ltd, a New Delhi firm, has been appointed sales representative for Kelly Pipe Company International, one of the Western United States' oldest and largest distributors, fabricators of industrial pipe.

Mr Murray L. Dorfman, who heads Kelly Pipe Company's International operations said that the New Delhi based company "has the facilities and personnel, plus a knowledge of the industrial pipe markets, to help assure that the venture will be a success." He said that Phelps & Co has "an excellent reputation and history in representing foreign firms."

Kelly Pipe Company International ships its line of industrial pipe, from one inch to 48 inches in diameter, worldwide. It also distributes valves and fittings and oil country tubular

Department of Atomic Energy

On behalf of the President of India, the Director, Directorate of Purchase and Stores, Department of Atomic Energy, Bombay, invites tenders as detailed below :—

1. DPS: BARC: MTL: 3799 due on 10-1-77: Nuclear Pure calcium metal granules minus 4, plus 80 Mesh as per purchaser's specifications. —12 M.T.

2. DPS: BARC: PPF: 2579 due on 14-1-77: Supply of hot drawn annealed and descaled seamless austenitic stainless steel pipes as per purchaser's tender specifications.

3. DPS: BARC: R-5: MTL: 82 due on 20-1-77; Monel Alloy 400 plates in different sizes as per purchaser's tender document.

4. DPS: NFC: CAP: 404 due on 28-12-76: Hydraulic surface grinder, horizontal type, reciprocating table, maximum working surface of table: 750x250 mm, as per purchaser's specification.—1 No.

5. DPS: NFC: CAP: 405 due on 29-12-76: Vertical bandsaw, throat width (between band and column) 91.440 cm.; as per purchaser's specification.—1 Unit.

6. DPS: RRC: CAP: 217: due on 30-12-76: Argon arc welding machine suitable for welding of alloyed and non-alloyed steels as well as aluminium, magnesium and aluminium/magnesium alloy plates and profiles upto thickness of approx. 15 mm., maximum welding current 500A AC and 400A DC., as per purchaser's specification.—1 No.

7. CAP tender No. DPS/NAPP/PPED/ELE/15 due on 30-12-76: PG Clamps and Off-set bar lugs as per purchasers drawings and specifications. Quantity: as per tender documents.

8. DPS: CAP: 6 due on 31-12-76: Metal cutting high speed hydraulic hacksaw machine with coolant equipment and standard accessories, cutting speeds 60-80 strokes/minute, as per purchaser's specification. —1 No.

9. DPS: PPED: FAB: 282 due on 31-12-76: Manufacture and supply of pressure breakdown Orifice Blocks as per purchaser's specifications and drawing. —Qty. 2 Nos.

10. DPS: NFC: CAP: 398 due on 3-1-77: Vertical sump pump and horizontal sump pump, capacity 5 cu.m/hr., material of construction: CI rubber-lined or polypropylene, as per purchaser's tender document. 2 Nos. each.

11. DPS: PPED: FAB: 283 due on 4-1-77: Design, preparation of shop drawings, manufacture, shop testing, inspection, assembly, supply, crating, guarantee and delivery to Madras Atomic Power Project Site, Kalpakkam, Tamil Nadu of Coil Type Condenser for recovering heavy water vapour as per purchaser's tender document. —Qty. : 3 Nos.

12. DPS: BARC: FAB: 113 due on 30-12-76: Fabrication of lead container, base frame driving unit, outer cabinet and accessories for Gamma Chamber 4000 A Unit as per purchaser's specification and drawings.—Qty: 4 Nos.

13. DPS: NAPP: PPED: FAB: 23 due on 6-1-77: Manufacture, supply, inspection, testing and delivery of Alloy steel and carbon steel forgings as per purchaser's specifications & drawings. Qty: 38 Nos.

14. DPS: RRC: EEQ: 86 due on 18-1-77: Supply of Automatic static AC voltage stabilizers in different rangings 18 nos. as per specifications.

15. DPS: NAPP: PPED: FAB: 22 due on 5-1-77: Design, manufacture, inspection, testing, packing, delivery and guarantee of fuelling machine service Carts as per purchaser's specification and drawing. Qty: 4 Nos.

16. DPS: HWP: EEQ: 216 due on 17-1-77 Design, manufacture, testing, packing and delivery of power and lighting distribution boards and panels as per specifications. Tender documents priced Rs. 10/- each for items at S. Nos. 1,2,3; Rs. 25/- each for items at S Nos. 4 to 11; Rs 50/- each for items at S. Nos. 12, 13, 14; and Rs 100/- each for items at S. Nos. 15 & 16 and general conditions of contracts priced Re. 0.50; except for items at S. Nos. 9, 11, 12, 13, 14 & 15 can be had from the Finance Accounts Officer, Dept. of Atomic Energy, Directorate of Purchase and Stores, 3rd floor, Mohatta Bldg Palton Road, Bombay-400001 between 10 a.m. & 1 p.m. on all working days except on Saturdays. Tender documents and general conditions for items at S. Nos. 4, 5, 6, 8 & 10 will however, be available upto 23-12-76, 24-12-76, 27-12-76, 27-12-76 and 31-12-76 respectively. Import licence will be provided except for items at S. Nos. 7, 8, 11, 12, 13, 14, 15 & 16 only if the items are not available indigenously. Tenders will be received upto 3 p.m. on the due date shown above and will be opened at 4 p.m. on the same day. The right is reserved to accept or reject lowest or any tenders in part or full without assigning any reasons.

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goods. The company maintains large inventories for immediate shipment at numerous stocking facilities in the US.

Kelly Pipe Company is a subsidiary of Familian Corp, whose sales exceed US$ 100 million annually.

Through its parent company, Kelly Pipe and its international division provides plumbing products for commercial as well as industrial application. Kelly Pipe also supplies numerous other steel products on a mill direct shipment basis.

New Issues

Trtion Valves will soon be entering the capital maket with a public issue of Rs 17.3 lakhs in equity shares of Rs 10 each and Rs 4 lakhs in preference shares of Rs 100 each. The preference shares will be carrying a dividend of 11 per cent. The public issue is fully underwritten.

The company is setting up a Rs 1.10-crore project at Mysore for the manufacture of 40 lakh tyre valves and 60 lakh cores and associated components per annum in collaboration with Pingeot-Bardin SA of France which is closely inter linked with Michelin Tyres Company. The plant is likely to go into production in June 1977. The company expects a turnover of Rs 75 to Rs 100 lakhs in the first year of operation and Rs 2.5 crores on full production in the second year. The management feels that the margins will be in the region of 30 to 35 per cent.

Capital and Bonus Issues

Consent has been granted to 10 compantes to raise capital of Rs 81 million. The details are as follows:

Communication and Power Equpt Co Pvt Ltd, Bombay, has been accorded consent, valid for six months, to capitalise Rs 750,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every four equity shares held.

Mechanical Packing Industries Pvt Ltd, Bombay, has been allowed to capitalise Rs 3,00,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for each equity share held.

Gaskets and Radiators Pvt Ltd, Bhalli, Gujarat, has been allowed to capitalise Rs 2.5 million out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus sharesthe ratio of one bonus share for each equity share held.

Orient Plywood and Veneering Industries Ltd, has communicated to the government of its proposals to issue capital under clause 5 of the Capital Issues (Exemption) Order, 1969 for Rs 6 million (inclusive of the capital already raised) in 5,50,000 equity shares of Rs 10 each and 5,000—11 per cent redeemable cumulative preference shares of Rs 100 each for cash at par, out of which Rs 2.8 million in equity and Rs 500,000 in preference shares will be offered to the general public by a prospectus. The purpose is to meet a part of finance required for the manufacture of plywood.

Up Twiga Fibreglass Ltd, has communicated to the government of its proposals to issue capital under clause (5) of the (Exemption) Order, 1969 for Rs 14.025 million (including the capital already raised) in 1,402,500 equity shares of Rs 10 each to be issued privately for cash at par, out of which shares worth Rs 6,875,000 will be issued to non-residents residing abroad. The purpose is to meet a part of finance required for the manufacture of Glass Fibres.

Indian Organic Chemicals Ltd, Bombay, has been accorded consent, valid for six months, to capitalise Rs 16,536,200 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every two equity shares held.

National Rayon Corporation Ltd, Bombay, has been accorded consent valid for six months, to capitalise Rs 12,499,700 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus sharef in the ratio of one bonus share for every four equity shares held.

Goodwill India Ltd, Delhi, has been accorded consent, valid for six months, to capitalise Rs 1 million out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of two bonus shares for every five equity shares held.

Cellulose Products of India Ltd, Ahmedabad, has been accorded consent, valid for six months, to capitalise Rs 6 million out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for each equity share held.

Goodyear India Ltd, Delhi, has been accorded consent, valid for six months to capitalise Rs 21,379,560 out of its general reserve share premium account and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of two bonus shares for every five equity shares held.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Ugar Sugar Works	June 30, 1976	15.0	8.0
New Swadeshi Sugar Mills	June 30, 1976	25.0	Nil
Yamuna Syndicate	June 30, 1976	20.0	12.0
Rockwell Electrodes	May 31, 1976	10.0	9.0
Loyal Textiles	June 30, 1976	6.0	Nil
Same Dividend			
Ballapur Industries	June 30, 1976	14.0	14.0
Special Steels	June 30, 1976	4.0*	4.0
Coonoor Tea Estates	September 30, 1976	20.0	20.0
Reduced Dividend			
Bharat Steel Tubes	March 31, 1976	Nil	12.0
Supreme Industries	June 30, 1976	15.0	16.0†

*On the enlarged capital
†Relates to 15 months.

The Calcutta Electric Supply Corporation Limited

(Incorporated in England)

OPERATIONAL RESULTS

	1974/75 (Rs. lakhs)	1975/76 (Rs. lakhs)
Sale of Electricity in millions of Units	2632	2840
Maximum demand met in MW	493	533

FINANCIAL RESULTS

	1974/75 (Rs. lakhs)	1975/76 (Rs. lakhs)
Gross Revenue	4741.7	6281.6
Profit after taxation and Statutory Appropriations	61.3	188.9
Additions to Fixed Assets	461.9	680.2
Dividend on Ordinary Shares	9%	12%

Extracts from the Review by the Chairman, Mr. Sachindra Chaudhuri At the 79th Annual General Meeting held on 29th November 1976, at Victoria House, Calcutta.

1975/76 witnessed some firm clear and effective measures taken by the Central Government to ensure the progress of its social, political and economic objectives. The West Bengal State Government has been in accord with and is giving active support to the programme enunciated by the Prime Minister and accepted and adopted by the Central Government. The immediate result of the vision and wisdom behind these measures particularly declaration of Emergency are greater discipline in the country, higher industrial production and healthier employment position and social welfare. There is a new optimism and assurance as to the future in all sections of the people and a discipline that contributes to production and distribution. Inflation that had assumed alarming proportions have been contained and there is a regulated flow of essential commodities. West Bengal along with other States has been a beneficiary of the improvements.

Your Company, within the limitation of its operational constraints made every endeavour to provide its consumers—industrial, commercial, domestic and others—as much power as was possible in circumstances prevailing. Your Company acknowledges with appreciation and gratitude the assistance given by the West Bengal State Electricity Board and the Damodar Valley Corporation in the maintenance of supply of power. Throughout the year under review the State Government has made a realistic appraisal of the needs of your Company in giving it Government's support and has made it possible to achieve healthier working results for the year.

TARIFF

The Clear Profit, as computed under the Electricity (Supply) Act, 1948, was £1,570,781 (Rs. 2,70,95,973/-) as compared to the Reasonable Return of £1,648,788 (Rs. 2,84,41,588/-). This welcome position directly results from the State Goverment's positive appreciation that for sustaining the normal growth of the Undertaking in the larger interest of consumers, your Company cannot be denied the benefit of the maximum internal accrual of resources possible within the strict framework of the Electricity (Supply) Act of 1948. The current year has already seen a further rise of operating costs due to the import of power, but this has ben offset due to the timely action of Government in giving its concurrence to a comprehensive scheme of revision of rates during the year. Stockholders, especially those resident in Calcutta, and consumers will undoubtedly be pleased to learn that Government has proposed a moratorium on any further rise in the cost of imported power during the year 1977/78 and, barring unforeseen circumstances, the Company expects that there will be no increase of rates to consumers during that year.

POWER SUPPLY IN THE CALCUTTA AREA

The power position in West Bengal remained reasonably happy during the year under review, particularly after the commissioning of the 120 MW Unit No. 2 at the Santaldih Power Station of the West Bengal State Electricity Board during the second quarter of the year. The situation does not however admit of and complacency as the margins of availability afforded by new capacity and restrictions on the use of power have been more or less counter-balanced by the growing demand for power. The situation is really one of a delicate balance between supply and demand and may be sadly affected if any fault develops in any of the plants of the generating agencies. One can only hope that this situation will not arise and the present position will continue to obtain till such time as the 120 MW Unit No. 3 of Santaldih Power Station is commissioned and that this Unit No. 3 will be commissioned before the onset of summer next year.

The Company's Licence has now been formally extended by Government up to the 1st of January, 2000, and the Company has been advised to submit a concrete proposal for a generating capacity addition of 240 MW to the Ministry of Energy, Government of India, for technical clearance and consideration of the means of financing this new large project. A feasibility report has been submitted to the Ministry of Energy and further developments are awaited.

(N.B.—This statement does not purport to be a report of proceedings of the Annual General Meeting referred to above.)

CESC

NGEF declares Maiden Dividend

Impressive progress by Karnataka State Government enterprise

Sri H. G. V. Reddy, I.A.S., Chairman, delivered the following statement at the Eleventh Annual General Meeting held on 15th November 1976 in Bangalore

Gentlemen,

I have great pleasure in welcoming you to this Eleventh Annual General Meeting of the Company. The Directors' Report and the Audited Statements of Accounts for the year ended 31st March 1976 are already with you and with your permission I shall take them as read.

Consequent to his appointment as Chairman Karnataka Electricity Board, Bangalore Sri M Sachidananda Moorthy tendered his resignation to the post of Chairman and Managing Director of the Company Under Government Order No GAD 242 SAS 76 dated 19th May 1976, Sri K S N Murthy IAS, was appointed as Chairman and Managing Director of the Company in addition to his duties as Commissioner for Industries and Secretary to Government of Karnataka, Commerce and Industries Department and he took charge from Sri M Sachidananda Moorthy in the afternoon of 31st May 1976. In accordance with the Government Order No CI 55 FEF 76 dated 17th September 1976 I took over charge as Chairman and Managing Director of the Company from Sri K S N Murthy in the forenoon of 2nd October 1976.

I wish to place on record our deep appreciation of the valuable and yeoman services rendered by Sri Sachidananda Moorthy, first as Special Officer and then as Director from the inception of the Company in 1961 and as Managing Director from 1965 upto 31st May 1976 and also as Chairman and Managing Director since March 1975.

Also, I take this opportunity to place on record the valuable services rendered by Sri K S N Murthy as Chairman and Managing Director of the Company during his short tenure of office It is gratifying to note that although Sri Murthy has relinquished the office of the Chairman and Managing Director, he continues to be a Director on the Board and his rich experience will be at our disposal

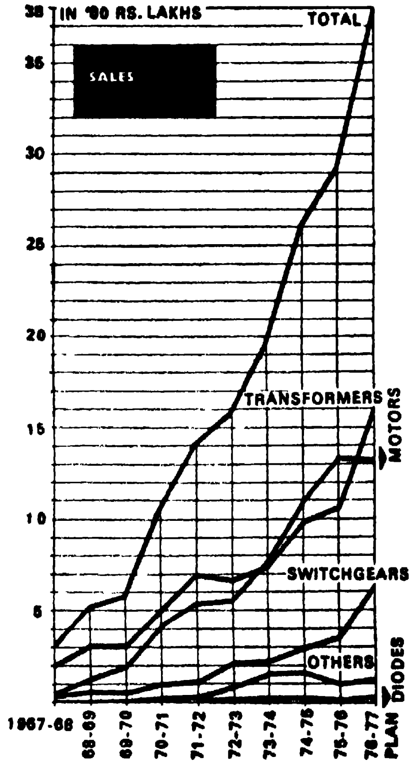
Maiden Dividend

1975-76 has been an year of significant achievement in the history of the Company The Company had wiped out all its accumulated losses as at the end of the preceding year 1974-75 During the year the Company registered a record profit of Rs 359 69 lakhs After transfer of a sum of Rs 55 lakhs to Development rebate reserve and provision of Rs 130 96 lakhs towards Income Tax and Sur-tax, the balance available is Rs 135 42 lakhs I am happy to inform you that the Company decided to declare a maiden dividend of 8% on the equity capital The balance of Rs 75 42 lakhs after dividend has been transferred to the General Reserve

You will be happy to know that the Company in the past 5 years has registered an average annual growth in production of around 15% and for the year 1975-76 the Company has earned a pretax return of 27.35% on capital employed

The year 1975-76 showed deepening of the recession in the engineering industry and the Company had to face conditions of shrinking demand for its products resulting in increased competition among the manufacturers and fall in the prices of products In spite of these conditions your Company was able to reach a turnover of Rs. 3063 93 lakhs. The Company exported products worth Rs. 59.48 lakhs during the year.

The Company has completed the first decade of its operations and has successfully achieved the targets of growth and profitability The members are aware that the continued success of a Company depends on keeping pace with technological developments in the field of application and utilisation of power and the capability to meet the sophisticated requirements of modern industries. In this respect, the Project Division set up by the Company 5 years ago has brought credit and recognition to the Company not only as a manufacturer of quality electrical equipments but also as a leader in the field of systems designing, installation and turn-key commissioning of complete electrical installations in a variety of industries like



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Aluminium plants, Pelletisation plants, Railways and the like.

Joint Ventures

You are aware that the Company entered into a collaboration agreement and promoted a Company jointly with Madhya Pradesh State Industries Corporation Ltd. Bhopal, to manufacture distribution transformers at Jabalpur. This factory has now gone into production You will be happy to know that your Company is being approached both from within India and abroad for similar collaborations The Company will be only too willing to participate in joint ventures in India and foreign countries to set up factories for the manufacture of electrical machinery and equipment and a pragmatic and dynamic approach in this regard are bound to enhance the perimeters of the Company's activities.

Expansion Programmes

Having regard to the industrial growth in the country and the requirements for electrical equipment for new applications like high voltage transmission, nuclear power plants, steel plants, railways, etc, the Company has decided to take up substantial expansion to manufacture a number of products in collaboration with the world renowned electrical manufacturers M/s AEG-Telefunken of West Germany

The first of these is the Extra High Voltage transformers project to manufacture power transformers of voltage rating 220 kV 245 kV and output from 50 MVA to 300 MVA and Special transformers such as Furnace Transformers and Rectifier Transformers, etc. during the first stage and to manufacture transformers of 400 kV upto 400 MVA in the second stage. The Project cost in the first stage would be Rs. 505 lakhs and for the second stage Rs 350 lakhs This project will provide employment for over 300 technical and non-technical personnel.

The second Project is for the manufacture of dc Motors and synchronous machines, reactor coolant pump motors, ac roller table motors and heavy motors upto 4000 HP. This project is estimated to cost about Rs. 466 lakhs and it will provide employment to 250 technical and non-technical personnel.

The third project is to manufacture Thyristors and Thyristor Convertors for special applications in steel mills, mining, railways and other industrial drives such as paper and cement industries The Project cost is estimated to be Rs. 360 lakhs and it is expected to provide employment for about 200 technical and non-technical personnel.

Finances for these expansion projects are proposed to be raised by increasing the equity by Rs. 150 lakhs and diverting the generated internal resources to the extent of Rs. 200 lakhs; the balance amounts are to be obtained by way of long term loan from the Government of Karnataka and financial institutions. In all, the outlay for the three projects would be in the order of Rs. 1681 lakhs or Rs. 16.81 crores with an additional employment potential of 750 to 1000 technical and non technical personnel. Work on these projects is to start this month.

The Next Decade

The first decade of operations having been successfully concluded, the Company has now taken up the task of preparing a comprehensive Corporate Plan for the second decade so that the activities of the Company can be properly planned and co-ordinated to achieve the set objectives The outline of this Plan is engaging the attention of the Board which is expected to finalise it shortly.

The Labour-Management relations have been cordial during the year and increasing attention is being paid to improve the welfare of the employees. We have recently absorbed all the 113 Canteen workers into the regular work force of the Company. I take this opportunity to express the Board's warm appreciation of the loyal and devoted work done by the Officers, Staff and Workers in achieving the results indicated in the Directors' Report and look forward to their continued co-operation and devotion to work so that the Company may show further progress in the years to come.

I wish to place on record our gratitude to the Government of Karnataka and the Government of India for their valuable and continued support to the Company.

Welfare Activities

It is with reasonable pride that I report that the Company, while as its prime objective is taking giant strides on the technological front, it is also keeping pace with the changing times, as an alert and responsive corporate body. In activising the co-operative movement by organising co-operative set-ups for canteen, transport, fine arts, sports, welfare, house building, etc, the Company has shown its civic obligations and its special responsibilities and would like to assure that further efforts will be made to improve such amenities to its workers. In fact, as the profitability of the Company improves, the Management would like to extend housing and other facilities in consonance with the policies of Government. Also, I take this opportunity to indicate that the Company is considering the development of an Ancillary Industry Complex with due regard to the expressed policies of Government.

The key word to-day in industry is 'participation' and your Company having faith in its implied philosophy, has built over a number of years a 'one family environment' and this achievement, I feel, is an effort which would have a lasting impact on the pleasantly changing pattern of our Society

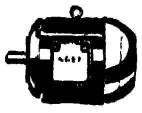
We are indebted to the State Bank of Mysore and the State Bank of India and the financial institutions like, Industrial Development Bank of India Industrial Finance Corporation of India, Life Insurance Corporation of India, and Unit Trust of India, who have assisted this Company to meet its financial requirements from time to time.

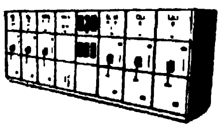
I am also thankful to our Collaborators, M/s AEG-Telefunken, West Germany, for their co operation and abiding interest in the progress of the Company.

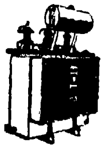
Gentlemen, I now commend the Balance Sheet and Profit and Loss Account and the Directors' and Auditors' Reports for the year 1975-76 for your consideration and adoption.

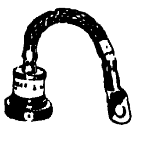
HGV Reddy,
Chairman.

Bangalore
15th November 1976









NGEF LTD

NOTE: This does not purport to be a recording of the proceedings of the Annual General Meeting.

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RECORDS AND STATISTICS

Foreign collaborations

THE MINISTRY of Industry issued approval to a total number of 148 foreign collaboration proposals during the period April to September 1976. Of these, 47 approvals were issued during the quarter April-June and 101 proposals during the quarter July-September. Only 25 of the proposals approved during the two quarters involved financial participation, while the remaining 123 proposals are for technical collaboration. The countries with which the foreign collaboration proposals have been approved are: Australia, Austria, Belgium, Canada, Denmark, West Germany, France, East Germany, Holland, Hungary, Italy, Japan, Poland, Norway, Switzerland, Spain, Sweden, United Kingdom and the USA.

The products which are proposed to be manufactured through these foreign collaboration arrangements include magnets, impulse burners, reactor coolant pump motors, batching plants, paper mill machinery, high speed data acquisition and control systems, aerial ropeway, fibreglass, aluminium alloy pistons, water pollution control systems & equipments, propeller shafts, axle shafts and universal joint kits, special refractories, electro-medical instruments, bogie hearth furnaces, gear shaping cutters, thyristors, air brake equipments for railways, mopeds, portable pneumatic tools, chartering of freezer trawlers for deep sea fishing, wrist watches, roller bearing, centrifugal machines, diamond tools, pneumatic and electronic products, commercial vehicles, marine propellers and sterngear assemblies, designing of glass melting furnaces & other allied equipment, safety razors, stainless steel exhaust manifold heavy duty trucks, high pressure hydraulic hoses, 1500 KVA/11 KV transformers, magnetic recording tape and hard ferrite magnets.

List of Foreign Technical/Financial Collaboration Cases Approved by the Government of India during April-June, 1976

Sl. No.	Name of the Indian company	Name of the foreign collaborator	Item of manufacture
1	2	3	4
		INDIA—AUSTRALIA	
*1.	M/s. Aag Rola Magnetics Pvt. Ltd., 377, NSC Bose Road, Madras-600001.	M/s. Pleassey Australia Pvt. Ltd., the Boulevard Richmond Victoria, 3121, P.O. Box 27, Melbourne, Australia.	Magnets.
		INDIA—AUSTRIA	
2.	M/s. Visvesvaraya Iron & Steel Ltd., Bhadravati (Karnataka).	M/s. Vereingte Edel Stkhiwerie Aktiengeselischaft (VEW) of Austria.	Alloy & Special Steels through the forge plant.
3.	M/s. Crompton Greaves Ltd., Kanjur, Bhandup, Bombay-400078. Maharashtra State.	M/s. Elin-Union AG, A-1141, Wien, 14, Austria.	On Load Tap changers.
		INDIA—DENMARK	
*4.	M/s. Patiala Electronics Components, 'F' 1, Nihar Bagh, Patiala.	M/s. Vitrohm Electronics Industri, A.S. Linde Alle 42, Copenhagen-Vanlose, Denmark.	Carbon composition film resistors.
		INDIA—FEDERAL REPUBLIC OF GERMANY	
*5.	M/s. Soni & Co., P-7, Mission Row Ext., Calcutta-1.	(1) M/s. C. Conradty, Nurnberg, FRG. & (2) M/s. Demag Hydraulic GmbH, F.R.G.	Graphite Electrodes
6.	M/s. NGEF Ltd., P.B. No. 3876, Bangalore-560038.	M/s. AEG-Telefunken Berich/Ausland/ Flrtiguong D-6000, Frankfurt Main 70, AEG-Hochhaus, FRG.	11 Kv, 750 MVA Circuit Breakers of 2500 Amps.
7.	M/s. Bombay Furnaces Ltd., 5, Stadium House, Veer Nariman Road, Bombay-400020.	M/s. Brobu Industries oftenbau GmbH & Co., K. G. & Dusseldorf, Sedanstrasse 9, Postfatch 1929, FRG.	Impulse Burners.

1	2	3	4
8.	M/s. NGEF Ltd., P.B. No. 3876, Bangalore-560038, Karnataka State.	M/s. AEG-Telefunken Berich/Ausland/ Pertiquong, D-6000, Frankfurt Main 70, AEG-Hochhaus, Federal Republic of Germany.	Reactor Coolant Pump Motors.
9. 'F'	M/s. Trivedi Navnitray Ranchodlal, 28, Gulmarg, Napean Sea Road, Bombay-400006.	M/s. Degussa-Hanau-6450, Hanau/Main, Leipzigerstrasse 10, Fed. Republic of Germany.	Resistance Thermometer Elements.
10.	Shri B.B. Puri, 5, Hanuman Road, New Delhi.	M/s. Planning, Planning & Engineering GmbH-07032, Sindel Figures, Emil-Noideneg 10, FRG.	Ball Bearings, Cylindrical Roller Bearings.
11.	M/s. National Instruments Ltd., 1/1, Raja S.C. Mullick Road, Calcutta-32.	M/s. Regula-Work King KG 7263, Bod Liebensell, Schwarzwald, FRG.	35 mm & SIR Cameras.
12.	M/s. Bhai Sunder Das & Sons Co. Pvt. Ltd., 4-23, Asaf Ali Road, New Delhi-1.	M/s. Arbau, FRG.	Batching Plants.
13.	M/s. Western Mechanical Industries Pvt. Ltd., Industry Manor, Opp. Bengal Chemicals, Prabhadevi, Bombay-25.	M/s. Maschinenfabrik Augsburg-Nurnberg Aktiengesellschaft Nurcmberg, Works, F.R.G.	Slab Scarfing Cranes.
		INDIA—FRANCE	
14.	M/s. Debikay Electronics Prop. Dhruva Woollens Mills Pvt. Ltd., 1/1, Taratala Road, Calcutta-700024.	M/s. CGEEO Alsthom 3, Rue Antonin Raynaud-92309, Levallois-Perret, France.	Static Convertors Equipment.
15.	M/s. Eastern Paper Mills Ltd., 2, Dakshindari Road, Calcutta-48.	M/s. Neyrpic-BMB Cedex 75 (38) Grenoble-Gare, France.	Paper Mill Machinery.
16.	M/s. Larsen & Toubro Ltd., Narottam Morarji Marg, Ballard Estate, Bombay-38.	M/s. Unelec, 75, Paris, 14-ru de la Baurne, France.	Air Circuit Breakers.
17.	M/s. Tata Merline & Gerin Ltd., Raj Mahal, 84, Veer Nariman Road, Bombay-400020.	M/s. ETS Merlin & Gerin SA, Cadex 83, 38 Grenoble Gare, France.	400 KV Insulators.
18.	M/s. The National Radio & Electronics Co. Ltd., Unity House, 8, Maha Parmanand Marg, Bombay-400004. (Composite Case).	M/s. Schlumberger Ltd. Paris (France).	High Speed Data Acquisition and Control Systems.
		INDIA—HOLLAND	
19.	M/s. Stormac India Ltd., 43, Dr. V. B. Gandhi Marg, Bombay-400001.	M/s. Stork Brabant, B.V., Boxmeer, Holland.	Continuous Loop Steamers.
		INDIA—HUNGARY	
20.	M/s. Jessop & Co. Ltd., 63, Netaji Subhas Road, Calcutta-700001.	M/s. Nikex, Budapest, Hungary.	Aerial Ropeway.
		INDIA—ITALY	
21.	M/s. R. Sen & Co., 10/1, Elgin Road, Calcutta-20.	M/s. Politechnica Furlani SPA 3601 Bassano Del Grappa Viale Viensa-150, (Vicenza) Italy.	Fibre Glass.
		INDIA—JAPAN	
22.	M/s. Menon Pistons, Industrial Estate, Shiroli, Kolhapur-416005.	M/s. Nippon Pistons Ring Co. Ltd., No. 1-18.2 Chome Uchisaiwalcho, Chiyoda-Ku Tokyo, Japan.	Aluminium Alloy Pistons.
		INDIA—POLAND	
23.	M/s. Mining & Allied Machinery Corpn. Ltd., Durgapur (713210), Distt. Burdwan, (West Bengal).	M/s. Overseas Mine Construction Co., Kopex Graboza-1, Kotawice, Poland.	Coal Preparation Plants.
		INDIA—SWEDEN	
24.	M/s. Asea Electric India Pvt. Ltd., Asea House, Goa Street, Ballard Estate, Bombay-400038.	M/s. Alimanna Svenka Eilkriska, Aktiebologet, Vasteras, Sweden.	Various Electrical, Electronics & Allied Items and Industrial Furnaces.

1	2	3	4
		INDIA—SWITZERLAND	
25.	M/s. Hindustan Brown Boveri Ltd., 264/265, Dr. Annie Beasant Road, Bombay-400025 (DD). (Composite Case).	M/s. Brown Boveri & Co. Ltd., Baden, Switzerland.	Protective & Auxiliary Relays.
26.	M/s. Crompton Greaves Ltd., Kanjur, Bhandup, Bombay-78.	M/s. Emile Haefely & Co. Ltd., 28, Lehenment Strassc, 353, CH-4000, Basel, Switzerland.	Bushings above 66 KV and upto 220 KV for Transformers.
27.	M/s. T. Maneklal Mfg. Co. Ltd., Vaswani Mansion, Dinsha Wachha Road, Bombay-400020.	M/s. Benninger Engineering Co. Ltd., CH-9240, Uswil, Switzerland.	Direct Beaming Plant (Textile Machinery).
28.	M/s. SLM-Maneklal Industries Ltd., Shafi Manzil, Ashram Rd., Ahmedabad.	M/s. Brown Boveri & Co. Ltd., Baden, Switzerland.	Exhausters for Railways.
29.	M/s. Kerala State Indl. Dev. Corpn. Ltd., P.B. No. 105, Sasthamanglam, Trivandrum-695010.	M/s. Rotas AG Narissel, Strasse, 5, Post Office Box-109, C.M. 8033, Zurich Switzerland.	Fibre Glass Reinforced Plastic Profiles.
		INDIA—U.K.	
*30.	M/s. Shri Bhagwandas Bhatia, 322, Vithalbhai Patel Road, Bombay-400004.	M/s. Stratoflex (UK) Ltd., 5, Watt Road, Hillaigton, Glassgow, Scotland, G-524-RX, U.K.	High Pressure Hydraulic Hoses & Fittings.
*31.	M/s. Sen-Raleigh Ltd., 1, Middleton Street, Calcutta-700071.	M/s. Raleigh Industries Ltd., U.K.	Bicycles & Bicycle Components.
32.	M/s. Crompton Greaves Ltd., Kanjur, Bhandup, Bombay-78.	M/s. Brush Transformers Ltd. Loughborough, U.K.	Dry type & Flameproof dry type transformers/transwitch units.
33.	M/s. General Electric Co. of India Ltd., 'Magnet House', 6, Chittaranjan Avenue, Calcutta-700072.	M/s. Radyne Ltd., Wokingham, Berkshire RG 11 2 PX, England.	Induction Heating Equipment.
34.	M/s. Bharat Ophthalmic Glass Ltd., Lenin Sarani, Durgapur, 733210, West Bengal.	M/s. Pen Electro Ltd., England.	Electric Furnace for Ophthalmic Glass.
*35.	M/s. Voltas Ltd., 19, Graham Road, Ballard Estate, Bombay-400001. (Composite Case).	M/s. Ames Crosta Ltd., England.	Water Pollution Control Systems & Equipments.
36.	M/s. Vibronics Pvt. Ltd., 4, Kurla, Industrial Estate, Ghatkopar, Bombay-400086.	M/s. Baugh & Weedon Ltd., Widemarsh Stt., Hereford, England, HRA 9 HS.	Ultrasonic Flaw Detectors.
37.	M/s. The General Electric Co. of India Ltd., 6, Chittaranjan Avenue, Calcutta-700020.	M/s. General Electric Co. Ltd., 1, Stanhope Gate, London.	Air Circuit Breakers.
38.	M/s. Goodlass Nerolac Paints Ltd., Charanjit Rai Marg, Fort, Bombay-400001.	M/s. Imperial Chemical Industries Ltd., Manchester, U.K.	Phthalocyanine Blue.
		INDIA—USA	
*39.	M/s. Salico Trading Corpn., 287, Nucha Ram, Chandni Chowk, Delhi-110007.	M/s. B. X. & L. Industries of USA.	Hydraulic Safety Locks.
40.	M/s, Universal Cables Ltd., P.O. Birla Cly., Satna-485005 (M.P.).	M/s. General Electric Co. International Licensing Deptt. 570, Laxington Avenue, New York, (USA).	Power Capacitors.
41.	M/s. Turner Hoare & Co. Ltd., Signal Hill Avenue, Bombay-400033.	M/s. Dana Corporation, 4500 Don Street, Toledo, Ohio-43697, U.S.A.	Propeller Shafts, Axle Shafts & Universal Jont Kits.
42.	M/s. Orissa Industries Ltd., P.O. Barang, Distt. Cuttack (Orissa).	M/s. Harbison-Walker Refractories Co., Pittsburgh, U.S.A.	Special Refractories.
43.	Shri I. S. Shah, 25, Marlow Road, East Brunswick, New Jersey-08816, U.S.A.	M/s. Heil Process Equipment Corporation, 12901, Elwood Avenue, Cleveland, Ohio,U.S.A.	Pollution Control Equipment & Allied Products.

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*44. 'F'	M/s. International Mag Electronics, 1155, Sector 8-C, Chandigarh. (Composite Case).	M/s. Lipps Inc. U.S.A.	Magnetic Recording & Erasing Heads.
45.	M/s. Carbon & Chemicals India Ltd., XXXVI/1040, Chittoor Road, Cochin-18, Kerala.	M/s. SID Richardson Carbon & Gasoline Comp., Fort Worth National Bank Building, Fort Texas, 76102, (USA).	Carbon Black.
*46. 'F'	M/s. Nand Khemka Ltd., Speedbird House 'M' Block, Connaught Place, New Delhi.	M/s. Bandag Incorporated, 1056 Horshey Avenue, Muscatine, Iowa, 52761, USA.	Procured tread rubber allied accessories etc.
47. 'F'	Shri Chandru P. Thadani, 19, Hari Niwas, 'C' Road, Bombay-400020.	M/s. Physio-Control Corporation, 11811, Willows Road, Redmond Wash. 98052, USA.	Electro-medical Instruments.

List of Foreign Technical/Financial Collaboration Cases Approved by the Government of India during July-September, 1976.

S. No.	Name of the Indian company	Name of the foreign collaborator	Item of manufacture
1	2	3	4
		INDIA—BELGIUM	
1. 'F'	M/s. Heatly & Gresham (I) Ltd., W-112 A, Greater Kailash, New Delhi-110048.	M/s. Cobelcomex-Societe Anonyme Rue Montoyer, Belgium.	Toughening Lines for Flat & Bent Glass and Annealing Lehrs.
		INDIA—CANADA	
2.	M/s. Kudremukh Iron Ore Co. Limited, 25, Mahatma Gandhi Road, Bangalore-560001.	M/s. Canadian Met-Chem Consultants. Canada.	Kudremuck Iron Ore Project.
		INDIA—FEDERAL REPUBLIC OF GERMANY	
3.	M/s. Bharat Bijlee Ltd., Electric Mansion, 6th Floor, Appasaheb Marathe Marg, Prabhadevi, Bombay-400025.	M/s. Siemens Aktiengesellschaft, Erlangen, FRG.	Electric Motors.
*4.	M/s. Sunirimal Ranjan Guha, 162/53, Lake Gardens, Calcutta-700045.	M/s. Industrie-Werke Karlsruhe Augsburg Aktieng Sellschaft, Karlsruhe, Gardenstroke 71, FRG.	Refuse handling apparatus.
5.	M/s. Bombay Furnaces Ltd., 5, Stadium House, 83, Veer Nariman Road, Bombay-400020.	M/s. Brobu Industrie Ofenbau GmbH & Co. KG, 4000 Dusseldorf, 1, Postfach 1929, Sodanstrasse, 9, Federal Republic of Germany.	Bogie Hearth Furnaces.
6.	M/s. Sarabhai Machinery Division of Fabriquip Ltd., Ranoli-391350, Distt. Baroda (Gujarat).	M/s. Krauss-Maffei, AG. 8000, Munchen-50 (FRG).	Sophisticated types of Dryers.
7.	M/s. Anglo American Marine Co. Ltd., Jolly Bhavan No. 2, New Marine Lines, Bombay-400020.	M/s. Lorenz Lindenweg 4, Postfach 183, FRG.	Gear Shaping Cutters.
8. 'F'	M/s. Electro Carbon Co., 15/21, Civil Lines, Kanpur-208001 (Uttar Pradesh).	M/s. Rheinische Kohiebursterfabrik, Frans Wengel KG 8483, Ahrweiler/Rhld, FRG.	Carbon Blocks.
*9.	M/s. Punjab State Industrial Development Corporation Ltd., SCO.54/56, Sector 17-A, Chandigarh.	M/s. A.E.G. Telefunken, Frankfurt, FRG	Miniature Circuit Breakers.
10.	M/s. Bharat Heavy Electricals Ltd., Hindustan Times House, New Delhi-110001.	M/s. Kraftwerk Union, A.G. Erlangen, (FRG).	Turbine-Generators.

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11.	M/s. N.G.E.F. Ltd., P.B. No. 3876, Bangalore-560038 (Karnataka).	M/s. AEG Telefunken, D-6000, Frankfurt, Nain 70, AEG Nechhaus, F.R.G.	Thyristors.
*12. 'F'	M/s. Crystal Jewellery Manufacturing Co. Pvt. Ltd., Degam Road, GIDV Vapi, Distt. Valsad (Gujarat).	M/s. Protoplan GmbH, Augsburg, FRG.	Crystal Class items.
13.	M/s. Business Combine Ltd., 78 B, Dr. Annie Besant Road, Worli, Bombay-400018.	M/s. Gelenwellenbau GmbH, FRG, 43, Essen 1, Westendhof, 7-9 FRG.	Double Carbon Joints.
*14.	Shri C. K. Kejriwal, A/14, Westen Colony, New Delhi-110021.	M/s. Agrob Anlagembau, GmbH, 8045, Ismaning Monchaner Str. 101, Munich, FRG.	Ceramic Tiles.
*15.	M/s. Escorts Ltd., 18/4, Mathura Road, Faridabad (Haryana).	M/s. Knorr Bremse, GmbH, Muenchen, 40, FRG.	Air Brake Equipments for Railways.
16. 'F'	Shri Lala Shri Dhar, 20, Bally Gunge Park Road, Calcutta-1.	M/s. Industrie Werk Schaeffler INA Ingenieardienst GmbH, Industriestrabe, 1-3, Herzogen-aurach, F.R.G.	Drafting Systems.
17.	M/s. Metal Box Co. of India Ltd., Barlow House, 59-C, Chowringhee Road, Calcutta-700020.	M/s. Der Roland Offsetmaschinenfabrik Schleicher AG, D-605, Offembach/Main, Christian-plass-Strasse 6-30, F.R.G.	Single Colour Offset Machines.
18.	M/s. Andrew Yule & Co. Ltd., 8, Clive Row, Calcutta-700001.	M/s. Elektrotechnicsche Werke, Fritz Driescher & Sohne, FRG.	HRC Fuses.
19.	M/s. Diamond Die Co. Ltd., 94, Meadows Street, 1st Floor, Fort, Bombay-400001.	M/s. Berkenhoff & Drebes GmbH, Drahtziehwerhzougfabrik, Oranien, D-6348 Herborn (Dillbreis) F.R.G.	Wire Drawing Diamond Dies.
20.	M/s. Fusegear Electric, Prop. K. R. Panicker, 18, Janakiram Colony, Madras-29.	M/s. Fritz Driescher D-5144, Wogberg-1, Post Bag No. 40, F.R.G.	High Voltage HRC Fuses.
21.	M/s. J. K. Synthetics Ltd., Kamla Tower, Kanpur (Uttar Pradesh).	M/s. Zinser Taxtilmaschinen GmbH, 7333, Eberscbach Fils, Portfach 27, FRG.	Draw Twisting Machines.
22.	M/s. Hindustan Brown Boveri Ltd., 'Brown Boveri House, 264/265, Dr. Annie Besant Road, Bombay-400025.	M/s. Brown Boveri & Co. Ltd., Mannhdim, F.R.G.	Electric Heat Treatment Furnaces.
		INDIA—FRANCE	
23.	M/s. K. G. Khosla & Co. Pvt. Ltd., 1, Deshbandhu Gupta Road, New Delhi-110055.	M/s. Demag Spiros, 75, Rue Deris Papin 93507, Pantin, France.	High Pressure Air Compressors.
24.	M/s. Majestic Gears Ltd., C-48-51, Focal Point Dhandari Kalan, Ludhiana (Punjab). (Composite Case).	M/s. Peugeot Cycles, S.A. France.	Mopeds.
25.	M/s. K. G. Khosla & Co. Pvt. Ltd., 1, Deshbandhu Gupta Marg, New Delhi-110055.	M/s. Cie-Cohin-Poulene, 11 & 13, Avenue Du Decteur Arnold-Netter, Paris 12E, France.	Air Driers.
26.	M/s. Gujarat Mineral Dev. Corpn. Ltd., Khanij Bhavan, Ashram Road, Ahmedabad-380009.	M/s. Sogerem (A subsidiary of M/s. Pochiney Jgine Kuhlamann, Paris (France).	Metallurgical Grades of Fluorspar.
27.	M/s. Steel Authority of India Ltd., Hindustan Times House, 14th Floor, 18/20, Kasturba Gandhi Marg, New Delhi-110001.	M/s. Creusot Loire Enterprises (CLE) & Clesid SA 42403, Saint Ghamend-51 rue sibret, France.	Converter Gas Cleaning Plants.
28.	M/s. Needle Roller Bearing Co. Ltd., B-16, Road No. 2, Industrial Area (Wagalewadi) Thana-400604 (Maharashtra).	M/s. Nadella, 92502, Rueil Malmaison, France.	Needle Roller Bearings & Needle Roller Assemblies.

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29.	M/s. Aluminium Industries Ltd., No. 1, Ceramic Factory Road, Kundara (Kerala).	M/s. Delle-Alsthom, 130, Rue Leon Blum 6911, Villeurbanne, France.	132 KV & 220 KV Circuit Breakers.
		INDIA—GERMAN DEMOCRATIC REPUBLIC	
30.	M/s. Engineers India Ltd., PTI Building, Parliament Street, New Delhi-110001.	M/s. Krebskosmo Ges. Fur Chem. Ing., Zeltigger Platz 1, Berlin 28.	Phthalic Anhydride.
		INDIA—HOLLAND	
31. 'F'	Shri S. B. Saren, D/9, Commerce Centre, Tardeo Road, Bombay-400034.	M/s. Jamsen Eendenfokkeriz, B. V. Holland.	Duck Breeding Farm.
		INDIA—ITALY	
*32.	M/s. Star Iron Works Pvt. Ltd., Embassy IB, 4, Shakespeare Sarani, Calcutta-700016.	M/s. I.S.E.L.F.A. Milano, Italy.	400 KV Transmission Line Equipment (Hardware).
33.	M/s. Amar Dye-Chem Ltd., Rang Udyan, Sitladevi Temple Road, Mahim, Bombay-400016.	M/s. Montedison, Large G Donegani 1/2 Milano 20121, Italy.	Acetone DPA Condensates.
34.	M/s. Usha Martin Black (Wire Ropes) Ltd., 14, Prince Street, Calcutta-700072.	M/s. De Angeli, Milano, Italy.	High Speed Tubular Stranding Machines.
35.	M/s. Hyderabad Asbestos Cement Products Ltd., Sanatnagar, Hyderabad.	M/s. Societe Italiana Per L' Amianto SPA 20126 Milano Viale Monza, Italy.	Asbestos Textiles jointing sheets and mill board etc.
		INDIA—JAPAN	
36.	M/s. I.E.C. Pumps & Tools Ltd., 603, Sadashiv Peth, Laxami Road, Poona-30.	M/s. Uryu Seisaku Ltd., P.O. Box. No. 7, Higashinari, Osaka, Japan.	Portable Pneumatic Tools.
*37.	M/s. Kirloskar Oil Engines Ltd., 13, Laxman Road Kirloskar Road, Kirkee, Poona-411003.	M/s. Komatsu Ltd., Alasaka, Tokyo, Japan.	Grey & Alloy Iron Castings.
38.	M/s. Amar Dye-Chem Ltd., Rang Udyan, Sitladevi Temple Road, Mahim, Bombay-400016.	M/s. Sumitomo Chemical Co., 15-5, Chome Kitahama Higashki-ku, Osaka Japan.	Rubber Chemicals (Antioxidant for Rubber—IPPD).
*39.	M/s. Ahmedabad Eagle Engg. Enterprises Pvt. Ltd., 410, Near Baroda Railway Crossing, Baroda, Ahmedabad.	M/s. Wantanbe Corpn. 6242, Ichikewcdaimen-Cho, Yamanashi Prefecture, Japan.	Cash Registers.
		INDIA—NORWAY	
40.	M/s. Kalve Ashok V & Toke D. S., 'Vrushalpana', Yashwant Chambers, 3rd Floor, 18-B, Barucha Marg, Fort, Bombay-400023. (KFTZ Case).	M/s. Reiber & Son, Plastic Industry A/s Bergen Norway.	Flexible PVC Floortiles.
41.	M/s. Vijay Tanks & Vessels Pvt. Ltd. 93, L.B. Shastri Marg, Mulund West, Bombay-400080.	M/s. Kvaerner Brug, Oslo, Norway.	Hatch Covers for Ships.
		INDIA—SPAIN	
*42. 'F'	M/s. Huns Fisheries Pvt. Ltd., 3/1, Asaf Ali Road, Hoechst House, New Delhi-110002.	M/s. Compania Atlantica De Pesca De Altura S.A., Spain.	Chartering of Freezer Trawlers for deep sea fishing.
		INDIA—SWITZERLAND	
43.	M/s. Jaya Shree Textiles & Industries Ltd., Rishra-712248, Distt. Hooghly, (West Bengal).	M/s. Ceramconsult Longenthal Ltd., Langenthal (Berne), Switzerland.	High Strength Disc Insulators & Bushings.
44.	M/s. Indo Swiss Time Ltd., C/o M/s. Devsons Industrial Consultants, A-41, Chittaranjan Park, New Delhi-110019.	M/s. Ronda S.A. Fabrique L's Bouches, 4415, Lauaen, Switzerland.	Wrist Watches.
45.	M/s. Gujarat State Fertilizers Co. Ltd., PO Fertilizernagar-391750, Distt. Baroda, (Gujarat State.)	M/s. Inventa AG of Switzerland.	Nylon Clips for Moulding Powder.

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*46.	M/s. Hindustan Everest Tools Ltd., 61, Sunder Nagar, New Delhi-110001.	M/s. Lacrex Brevetti, S.A. Misuslo CH 6644, Orselina, Via ECO, Switzerland.	Universal Wrenches.
47.	M/s. National Engineering Industries Limited, Khatipura Road, Jaipur-302006.	M/s. SRO Ball Bearing Works, J. Schmid Roost Ltd., 8050, Zurich-Oerlikon, Switzerland.	Roller Bearing Axle Boxes.
48.	M/s. Saraswati Industrial Syndicate Ltd., Yamunanagar-135001, Distt. Ambala Haryana.	Mr. Ernst Ruegg, Scrweiz, Gu-Strasse 7, Switzerland.	Centrifugal Machines.
*49.	M/s. T. Maneklal Mfg. Co. Ltd., Vaswani Mansion Dinshaw Vacha Road, Bombay-400020.	M/s. Fritz Buser AG, CH3428, N/Utzernstrol, Switzerland.	Printing Plants (Textile Machinery)
50.	M/s. Fouress Engineering (India) Pvt. Ltd., Mahalaxmi Chambers, 22, Bhulabhai Desai Road, Bombay-400026.	M/s. Metroflex Grossfentilbau A. G., Haus Sum Stamf, Burgstrasse-28, Glarus, Switzerland.	Gas Tight Isolators.
		INDIA—UNITED KINGDOM	
51.	M/s. Industrial Technical Services (P) Ltd., 18, Greaves Road, Madras-600006.	M/s. Key Terrain Ltd., Aylesford Maistone Kent ME 20 7PJ (U.K.).	Pitch Fibre Pipes & Fittings.
52.	M/s. Bhukhanvala Diamond Tools Pvt. Ltd., Medous House, P.B. 469, Nagindas Master Road, Fort, Bombay-400001.	M/s. D. H. Prowse & Co. Ltd., Kentys Studios, Batts Hills Redhill Survey, England.	Diamond Tools.
53.	M/s. Instrumentation Ltd., Kota-5 (Rajasthan) (Composite).	M/s. George Kent, U.K.	Pneumatic & Electronic Products.
54.	M/s. Engineers India Ltd., PTI, Building, 4, Parliament Street, New Delhi-110001.	M/s. Kellog International Corpn. Kellogg House, 62-76 Chiltren Stt., London WIM 2 AD.	Checking & Review of process design package of delayed coker unit for Bongaigaon Refinery Project.
55.	M/s. Best & Co. Engineering Pvt. Ltd. 13/15, North Beach Road, Madras.	M/s. Rotark Contools Ltd., Bath BA1, 3JQ, England.	Valve Actuators.
56.	Shri Rajinder Kumar Aggarwal, G.T. Road, Meeran Ghati, Karnal (Haryana).	M/s. Linread Ltd., Birmingham, U.K.	Self-tapping & specialised type of machine screws.
57.	M/s. The Indian Cable Co. Ltd., P.O. Golmuri, Jamshedpur-3, SE Rly. Distt. Singhbhum, Bihar, Pin 831003.	M/s. BICC International Ltd., 21, Bloomsbury Stt. London WC 1 B 3 QN, U.K.	Cross Linked Polythylene Power Cables.
*58.	M/s. Ashok Leyland Ltd., Ennore, Madras-600057.	M/s. British Leyland Ltd., Leyland House, 174, Marylebone Road, London, U.K.	Commercial Vehicles.
59. 'F'	M/s. Shri J. C. Nangia, 20, Union Park, Chembur, Bombay-400071.	M/s. Stone Manganese Marine Ltd., Anchor & Hope Lane, London.	Marine Propellers & Sterngear Assembles.
60.	M/s. Jessop & Co. 63, Netaji Subhas Road, Calcutta-700001.	M/s. Aveling Barford Ltd., Grantham, England.	Shuttle Dumpers.
*61.	M/s. Indian Splicing (Mechanical) & Accessories Ltd., 14, Princep Street, Calcutta-700072.	M/s. CCL Systems Ltd., Cabco House, Ewell Rd., Surbiton, Surrey, England.	CCL Post Tensioned Strand Stressing System.
62.	M/s. David Brown Greaves Ltd., 1, Dr. V. B. Gandhi Marg, Bombay-400023.	M/s. David Brown Gear Industries Ltd., Park Gear Works, Huddersfield, England.	Helical & Bevel/Helical Gear Units.
63.	M/s. C. R. R. Manufacturing Industries Ltd., Nagar Road, Poona-411014.	M/s. English Electric Co. Ltd., Stafford, England, U.K.	Tap Changers 33, 66 & 13 KV.
64.	M/s. The Metal Box Co. of India Ltd., Barlow House, 59C, Chowringhee Road, Calcutta-700020.	M/s. Vickers Ltd., Crayford Works, Crayford Dantford Kent, U.K.	Vickers Worssam Super 40 Filing Machines.
65.	M/s. Universal Cables Ltd., P.O. Birla Colony, Satna (M.P.) (Compositive).	M/s. Associated Electrical Industries Ltd., U.K.	Cross Linked Polyethylene Power Cables.
66. 'F'	Shri C. K. Somani, A1/10, Vasant Vihar, New Delhi-110057.	(i) M/s. King Taudevin & Gregson Ltd., (ii) M/s. Pendectro Ltd., U.K.	Designing of Glass melting furnaces & other allied equipment.

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67.	M/s. Automobile Products of India Ltd., Lal Bahadur Shastri Marg, Bhandup, Bombay-400078.	M/s. Automotive Products Associated Ltd., U.K.	Clutch & Brake Assemblies.
68.	M/s. Dyerslime & Chemicals Pvt. Ltd., 10, Alipur Road, Delhi-110054.	M/s. A. J. Brockwell & Partners, England.	Design & Drawings for lime plants of higher capacity.
69.	M/s. Crompton Greaves Ltd., Kanjur, Bhandup, Bombay-400078.	M/s. Brush Electrical Machines Ltd., Loughborough, U.K.	Flame-proof & increased safety motors.
*70.	M/s. Indo-Swing Pvt. Ltd., India House, 5th Floor, Forth Street, Bombay-1.	M/s. Wilkinson Sword Ltd., Sword House, Totteridge Road, High Wymcobe, Bucks, London.	Safety Razors.
*71.	M/s. Praga Industries Pvt. Ltd., P.B. No. 844, Avanashi Road, Peeramedu, Coimbatore-641004.	M/s. Syma (High Wycombe) Ltd., Wellington Road, Cressex Estate, High Wycombe, Bucks, England.	Simulated Ceramics & Simulated Marbles.
72.	M/s. Advani Oerlinkon Ltd., Radia House, 6, Kaikushro Dubbash Marg, Fort, Bombay-1-BR.	M/s. Ferrocement Services Gaylenko Ltd., 9, Avery Row, London W.-1.	Hulls made of Ferrocement for boats etc.
*73.	M/s. Ransal Rubber Industries, 46-C, Chowringhee Rd., Calcutta-700016.	M/s. J. Pickup & Sons Ltd., Shelphy Lane Works Marple, Cheshire, U.K.	Stainless Steel, Exhaust Manifold.
74.	M/s. The Dharamsi Morarji Chemical Co. Ltd., Prospect Chambers, 317/21, Dr. Dadabhoy Naoroji Road, Bombay-400001.	M/s. Fisons Ltd., Harvest House, Felixstowe Suffolk IP11 7 LP, U.K.	Fluorine Recovery Units.
75. 'F'	M/s. Shri T. S. Srinivasan, No. 1, Adayar Club Gate Rd., Madras-600028. (Composite).	M/s. Ransome Hoffmann Pollard Ltd., London.	Ball, Roller & Rubber Bearings.
76. 'F'	M/s. Anoop Kumar, 75, C-Park Street, Calcutta-700016. (K.F.T.Z. Case).	M/s. Surelab Superior Research Laboratories Inc. Minnesota, USA.	Integrated Mica Paper (Electrical Grade) & Mica based Electrical Insulating Products.
77.	M/s. Industrial & Allied Chemicals, National House, 6 Tulloch Road, Bombay-1.	M/s. Cosden Technology Inc., Delaware USA.	Polybutene.
78.	M/s. Maruti Limited, Palam Gurgaon Road, Gurgaon, Haryana.	M/s. International Harvestors, 401, North Michigan Avenue, Chicago IL 60611 312670-4006. (USA).	Heavy Duty Trucks.
79.	Shri Suman Kumar Chatterji, 16, Hindustan Park, Calcutta-700029.	M/s. Krebs Engineers International, California, U.S.A.	Hydrocyclones.
80.	Shri S. M. Maheshwari, B-114, Sarvodya Enclave, New Delhi-110017.	M/s. Refac Technology Development Corpn., 122, East 42nd Street, New York, NY 10017.	On/Off Service Tube Evoloid Valve Actuators.
*81.	M/s. Voltas Limited, 19, Graham Road, Ballard Estate, Bombay-400028. (Composite).	M/s. Carrier Overseas Corporation, Syracuse, New York (USA).	Air Conditioning & Refrigeration Equipment.
*82. 'F'	M/s. Technicraft Corpn., 44, Darya Mahal, A, Napean Sea Road, Bombay-400008. (Composite).	M/s. Electronic Concepts Inc., U.S.A.	Plastic Film Capacitors & Metallised Dielectric Film.
*83.	M/s. Auto Mughals Pvt. Ltd., 405, Maker Bhavan No. 3, 21, New Marine Lines, Bombay-400020.	M/s. Goodyear Tire & Rubber Co. Akron Ohio, 44316, USA.	High Pressure Hydraulic Hoses.
*84. 'F'	Shri V. C. Chandiok, 41-L, Connaught Circus, New Delhi-110001. (Composite).	M/s. Republic Mineral Corpn., Houston, Texas, U.S.A.	Oil Well Flow-control Equipment.
*85.	Shri J. Bhushan, Box B, Cedar Mountain, N.C. 28716, U.S.A.	Samsonite Corporation, International Division Denver Colorado, USA.	Samsonite Suitcases.

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86.	M/s. Heichem Pvt. Ltd., B-40, Sanatnagar, Industrial Area Estate, Hyderabad-500018 (AP). (Composite).	M/s. Excoa Inc., U.S.A.	Binary Explosives.
*87.	Shri M. Ramana Reddy, (M/s. Shree Krishna Oil Complex Ltd.), 6-3-1096/1, Somajiguda, Hyderabad-500004 (AP).	M/s. Trade McNair, Walker Caroline Bld., Airport Road, Kinston N.C.,- 29501, USA.	Castor Complex.
88.	M/s. Vijay Tanks & Vessels Pvt. Ltd., 93, Lal Bahadur Shastri Marg, Mulund West, Bombay-400080.	M/s. Graver Tank & Mfg. Co., El Monte, California, USA.	Field Stress Relieved Spheres.
89.	M/s. American Refrigerator Company Ltd., 13/C, Russel Street, Calcutta-700071.	M/s. Chicago Blower Corpn., 1675 Glen Ellyn Road, Glendale Heights, Ill. 60137, U.S.A.	Heavy Duty Fans/Blowers.
90.	M/s. Shri Dilip Madhav Sarwate, Flat No. 9, 'Sharda' Plot No. 813/B, Bhandarkar Inst. Road, Poona-411004.	M/s. Hitchiner Mfg. Co. Inc. Milford, New Hampshire, 03055, USA.	Investment Castings.
91.	M/s. Govt. Electric Factory, Mysore Road, Bangalore-560026.	M/s. Westinghouse Electric Corporation, Pittisburgh, Pennsylvania 15221, USA.	1500 KVA/11 KV Transformers.
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93.	M/s. Kerala Minerals & Metals Ltd., PB No. 30. Quilon, Kerala.	(1) M/s. Benilite Corpn. of America, 233, Broadway, New York, NY. 10007. (2) M/s. Woodall Duckham Ltd., Crawley Sussex, England. (3) M/s. Kerr-McGee Chemical Corporation, Oklahoma City, Oklohoma-73125, U.S.A.	Titanium Dioxide.
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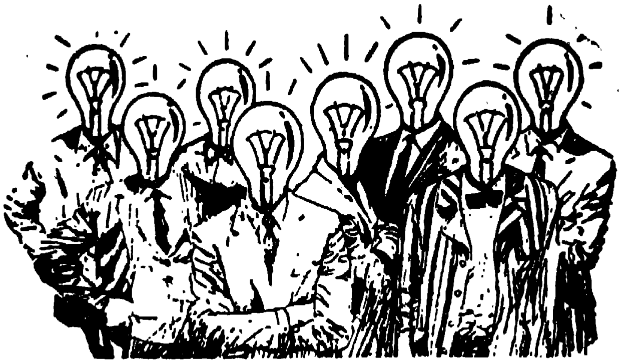

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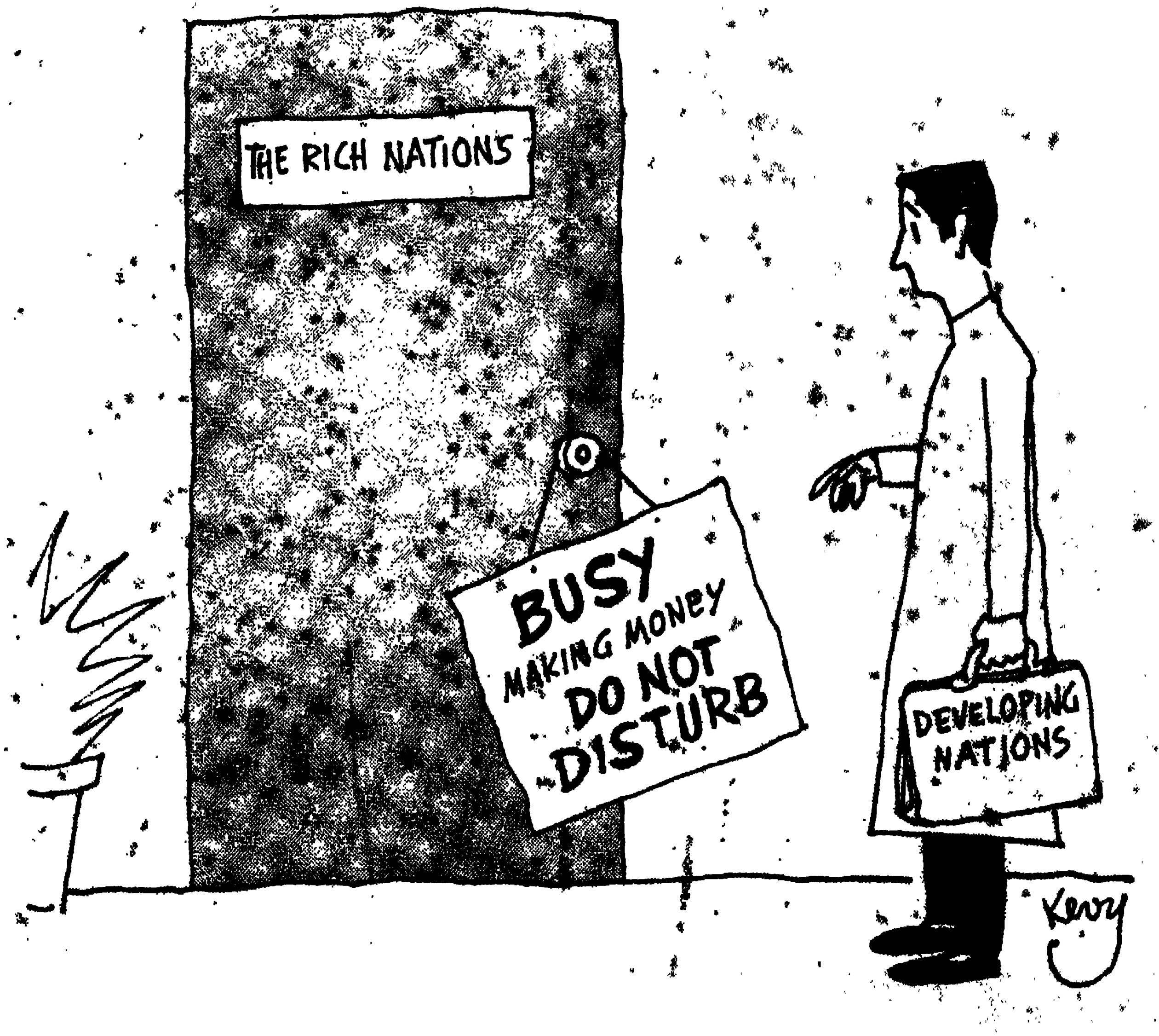

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Leading Articles

Blessed are the Bankers 1129
Using Money with a Little More Thought 1130
Towards Multi-Fibre Textiles 1132
Capital's Corridors 1133

Point of View

Agricultural Marketing —Dr Rajendra Prasad 1137
Regional Disparities and Expansion of Bank Branches —K.K George 1140

Window on the World

Pessimism Pervades Western Scene—E.B. Brook 1145
World Stabilisation Policies —Johannes Witteveen 1147
Company Announcement
ITC Ltd. 1148
Trade Winds
Yen Loan; Registration of Capacity; Increase in Tax Collections; Australian Dollar Devalued; Small Savings; Production of Ancillaries; ICC Session; Revival of Sick Units; India-Jordan Cooperation; Trade with Portugal; Fertilizer Corporation; New Scheme by Syndicate Bank; Bulk Ore Carriers; Names In the News 1155-1157
Company Affairs
Calcutta Electric Supply Corporation; Larsen & Toubro; Indian Oxygen; Karnataka Scooters; Melcast India; Rajasthan Financial Corporation; News and Notes; New Issues; Capital and Bonus Issues; Dividends; Licences and Letters of Intent 1159-1166
Records and Statistics
Branch Expansion Plans of Indian Banks Abroad 1167

Blessed are the bankers

THE SEVENTH meeting of cooperation among development bankers, cosponsored by the United Nations Industrial Development Organisation (UNIDO) and the Industrial Development Bank of India (IDBI), and held in the capital last week was a colourful affair. In a decade of UNIDO's life, this was the first occasion that its meeting was held in an Asian country and the host country had every right to take pride in it. Inevitably, the participants dwelt upon the problems of the developing countries which have been struggling hard in order to bring about a new economic order in the world through equitable distribution of the available resources. And the conference did emphasise in unmistakable terms that the development banks under the leadership of the World Bank and its affiliates and associates could play a dynamic role in the task of lifting the living standard of the millions of poor in the developing countries. It also brought out clearly that the development bankers—as distinct from commercial bankers—had to sharpen their tools so as to be able to achieve the targets set for them in this conference and elsewhere.

The prime minister, Mrs Indira Gandhi, who inaugurated the meeting referred to the importance of industrialisation in the uplift of the economies of the poor countries. In this task, she said, the UNIDO could assist the developing countries through the transfer of technology and the provision of financial resources. Since the resources at the command of the UNIDO were not large, the progress in this regard was halting. Moreover, the technology needed by the underdeveloped countries was available from the multinationals though the price demanded most of the time was too high. Hence, it was necessary to explore the possibilities of cooperation among the developing countries themselves. Here, the UNIDO could come in by collating the available information and making it available to the needy countries. Similarly situated countries, she rightly added, could learn from one another and also at a not-too-high cost.

While the prime minister alluded to the widening gap in the level of living between the rich and poor countries, it was Mr Aroon K. Basak, Deputy Director, Cooperative Programme (UNIDO) who cited estimates of industrial production in order to highlight the ground which needed to be covered. Mr Basak said that in 1975, the gross value of industrial output of developing countries amounted to US $184 billion or only seven per cent of the total industrial production of the world. It is now being visualized that while the world industrial output will grow at the average rate of four per cent per annum, the developing countries will be helped to expand industrial production at just over nine per cent per annum. On these two assumptions, the share of the developing countries in world industrial output in the year 2000 will be US $1,750 billion or nearly one-fourth of the total world output of industry. This is indeed a tall order and will require diversion of massive financial resources in the manufacturing facilities of the developing countries. Even if financial resources were made available by the World Bank and its associates, the problem of matching local resources will still need to be resolved. Then, the poor countries have been demanding long-term credits on soft terms. The fear has been rightly voiced that this might result in inefficient use of these resources leading to the establishment of inefficient enterprises. So the problem was not simply that of transferring financial or technical resources but of preparing the people of the developing countries for efficient use of these inputs.

Perhaps the most interesting revelation was made at the meeting by Mr Basak when he said that the prospects for tapping development funds from the east European countries appeared bright. He is reported to have given details of UNIDO's recent discussions with the International Investment Bank in Moscow which appeared to be interested in investing funds in the developing countries. It will be in the interest of the underdeveloped countries to continue this dialogue with the Bank in Moscow and evolve the necessary machinery for actively associating the COMECON funds for the betterment of the economies of the less developed countries.

Happily, our country has a good record in this regard. With 60 development banks of varying sizes spread all over the country, entrepreneurs at different levels are being trained to face the challenges which the processes of industrialisation pose. Besides the IDBI, the Industrial Finance Corporation of India, the ICICI, the state financial corporations (SFCs) and their associates have spread their net wide. The small-scale industries in this country have progressed at a phenomenal rate, thanks to the encouragement provided by the SFCs. In 1965, the number of small-scale industrial units in our country was 105,000. By 1975, it had nearly multiplied five times to rise to 502,000, resulting in employment opportunities for nearly two million persons.

The IDBI which has only recently been delinked from the Reserve Bank of India provides finance both to large-sized industrial units and the smaller financial institutions. As the apex development bank of this country, it has shouldered great responsibility in providing development finance. And the IDBI along with its associates has been attempting to chalk out procedures for the allocation of resources to backward regions, small-scale units and technician entrepreneurs. It has also to watch the interests of the units manufacturing goods of mass consumption or those engaged in export promotion. The task of allotting priority in the allocation of resources is by no means mean but the success of the IDBI in its mission will depend upon the skill it is able to exhibit in this delicate though pressing task.

Using money with a little more thought

THE PHILOSOPHY behind the new credit policy recently formulated by the Reserve Bank deserves to be properly re-conceived as the earlier inferences and anticipations seem to have gone awry. Even early in the current busy season banks are finding themselves in an extremely uncomfortable position and many institutions are unable to comply with the directives of the monetary authorities. They are also unable to entertain fresh proposals for loans and even small entrepreneurs have been complaining that their projects cannot be completed due to the refusal of the lending institutions to grant the necessary credit even though assurances had been given to this effect in earlier months. The scheduled commercial banks should have been feeling extremely comfortable as at no stage in recent history were they effecting additions to their deposits in such an impressive manner.

In the twelve months ended November 19, 1976 aggregate deposits of these banks rose spectacularly by Rs 3157.86 crores against only about Rs 1900 crores in the previous 12 months. It is not quite clear how the big rise of Rs 1257 crores over the previous year's growth has taken place. But a good part of the new growth is due to the surge in foreign balances though there has also been mobilisation of deposits for larger amounts in new banked areas. However, of greater importance is the increase in deposits due to rise in foreign balances.

The questions may well be asked whether this spurt is not transitory in character, whether it will be dependable to proceed on the assumption that these funds will not be repatriated and whether it will be in order to use them for transacting normal banking business. In view of the confusion about the impact of expansion of money supply due to growing foreign exchange reserves and injection of purchasing power into rural areas through massive procurement purchases, it is necessary to have a proper understanding of the recent developments.

If the additions to the deposits of banks are in large measure due to the influx of hot money, as in Britain, or the placing of funds with banks by outsiders due to the growing strength of the rupee, there is certainly the risk of quick repatriation at particular stages causing difficulties for the banking system. In such a situation, the safe course would be to immobilise a good part of the new deposits and prevent them from being lent in the normal manner. There is, of course, no risk involved in disposing of funds mobilised from internal sources in the usual way as it can be expected that the pace of monetisation will be hastened and the additions to working fund from Indian branches will gather in volume steadily.

precise character

What, however, is the precise character of the accumulated foreign balances with the Reserve Bank and will it be correct presume that the experience of the current year will be repeated in 1977 and subsequent years? No precise answer has been provided by the Reserve Bank authorities as it has been stated that a detailed analysis of the inflow of foreign exchange resources is yet to be attempted and completed. It has even been said that the big spurt in foreign balances has created problems of management for Reserve Bank officials and the necessary organisational arrangements have to be completed. The difficulties, perhaps, relate to the disposition of these foreign balances in order to avoid a net decline in the purchasing power of these reserves due to changes in the external parities of different currencies. This aspect of the problem has to be carefully studied as it should not happen that the country loses when funds are repatriated, if at all, on account of depreciation in the value of some currencies, and the Reserve Bank is obliged to incur losses.

No serious difficulties are likely to be encountered on this account as there is no large element of hot money or repatriable funds. The remittances have been mainly due to non-resident Indians and the volume of funds held in designated foreign currencies, which are theoretically repatriable cannot be more than Rs 200 crores. The Reserve Bank would be well advised if the cash reserve ratio applicable to the scheduled commercial banks is maintained at 4⅛ per cent as this alone would result in the immobilisation of funds for over Rs 250 crores. It can even be maintained at five per cent if it is felt that a more safe course should be adopted. But there is no warrant for raising the ratio to six per cent, especially when there is a strict control over fresh lending. The Reserve Bank will in any case have to adopt a careful policy in regard to the disposition of foreign exchange reserves as it has a duty to protect the purchasing power of these reserves even excluding the possibility of large scale repatriation of funds by holders concerned.

gratifying feature

The most gratifying feature of the accretions to foreign exchange reserves is the inflow of regular remittances through normal channels as a result of effective checks on smuggling operations, the virtual elimination of compensatory financing arrangements and a distinct improvement in the balance of payment through larger exports and invisible receipts. It can, therefore, be said that there is no risk of repatriation of any large proportion of new additions to foreign exchange reserve, as stated earlier. Also, it is not correct to say that the expansionary effect of foreign exchange resources on money supply has a disturbing impact on the price structure in so far as the funds formerly utilised for smuggling operations and under compensatory financing arrangements are now going directly into the banking system. The rupee resources made available to recipients of foreign remittances clandestinely came out of tax evaded amounts and therefore there is no additional injection of purchasing power so far as the recipients are concerned.

It may, of course, be said that the tax evaded amounts have been released and can do harm in other directions. But the tax authorities are taking care of this aspect of the problem and there is reason to believe that the undetected funds are lying dormant and completely sterile. As for the check on smuggled imports making for reduced availability of goods in some directions, the higher level of output indigenously and larger direct imports can meet any unsatisfied demand if it exists.

It will, therefore, not be incorrect to say that a portion of the increase in money supply in recent months attributable to deposit money with public is not really inflationary in character. As for the increase in money supply arising out of massive procurement purchases, the expansion of food credit by Rs 1,367 crores is partly due to imported foodgrains and partly due to purchases from Indian farmers.

The additions to credit over a period may however be of the order of Rs 1,500 crores. If these purchases had not been effected the stocks would have been held by farmers and they might have been obliged to make distress sales for securing their requirements of cash. The additional purchasing power on account of higher level of food production is larger in volume than the injection through procurement credit as only 12 million tonnes or thereabout have been procured out of a total production of 119 million tonnes, while the balance of 107 million tonnes had been internally consumed. Here again, the question arises: what is exactly the addition to purchasing power as lower average prices have been secured on sales and the incomes have been spread more evenly all over the country? The extra purchasing power other than procurement credit relates to five million tonnes as compared to 1974-75.

no aggressive demand

The thin spread of additional purchasing power may be said to have encouraged larger spending. But there has been no aggressive demand for essential items except in respect of edible oils and sugar. Surprisingly enough there has been no increase in demand for cloth and yarn and the rise in cotton prices and the levy of heavy excise duties have even induced consumer resistance. The end prices are considered to be high and there may be larger demand for cloth and yarn only if cotton prices can be regulated and end prices of finished goods lowered. With arrangements for importing edible oils and raw cotton any assertion of inflationary pressures in a period of higher economic growth can be effectively controlled. It is not therefore justifiable to take an alarmist view of the increase in money supply and adopt panic measures to control even normal growth in bank credit. In fact, excessive neutralisation of additional purchasing power may even have undesirable effects and create difficulties relating to absorption of a larger volume of production. It is therefore necessary to reappraise carefully the significance of new developments and frame appropriate flexible credit measures.

cash reserve ratio

The difficulties of banks now being experienced are mainly due to higher cash reserve ratio and big expansion of procurement credit. Out of the growth in deposits of Rs 3157 crores in the 12-month period under reference, non-food credit accounted for only Rs 1575 crores while procurement credit took away Rs 1367 crores. Cash balances have risen by Rs 357 crores as only Rs 90 crores would have to be maintained additionally for servicing larger business, the extra Rs 267 crores is due to the higher cash reserve ratio.

Investments have had to be augmented in a big way as the statutory liquidity ratio is high at 33 per cent. But banks have been unable to meet fully their obligation and the ratio is at present slightly below the statutory minimum. The borrowing from Reserve Bank has therefore been large, there being an increase of Rs 744 crores. If the earlier formula for refinance of procurement credit had been adhered to, member banks could have easily borrowed against refinance facilities Rs 1500 crores instead of only Rs 663 crores. The revised formula has no meaning as there is no prospect of the locked up funds being released quickly through sales to the public. On the other hand, it is likely that there will be further increase in buffer stocks by five million tonnes and therefore in credit by Rs 600 crores.

It has to be examined at this stage how basic buffer stocks should be financed. It will be far more cheap for the exchequer to raise the required amount through ad hoc securities carrying interest at 4½ per cent rather than through credit from the banking system at 12 per cent.

In so far as the funds are provided out of owned sources the Food Corporation will be saddled with a heavy burden and the government will have to bale it out with corresponding subsidies. It may of course be said that the Reserve Bank's profit will swell and therefore the contribution to the government out of these profits, if food credit was financed through resources lent by RBI to the banking system. This is needlessly a complicated procedure. If the cash reserve ratio can be lowered and base buffer stocks are segregated with deficit financing, wrong impressions may be avoided. The lending institutions can be asked to provide out of their owned funds up to Rs 1000 crores in respect of food stocks and there should not be any attempt to build stocks unnecessarily beyond 17 million tonnes as serious loss may be suffered by the community through deterioration in storage, pilferage or other factors. The banking system's disability should be removed and artificial squeeze in money market should be made to disappear with necessary correctives. There should always be a check on unproductive lending, but no freeze for genuine productive purposes.

Towards multi-fibre textiles

THE TWO-PRONGED strategy evolved by the union ministry of Commerce for tackling the current problems of the textile industry perhaps contains genesis of the future textile policy which may have to be based on a multi-fibre approach. Though no decision has yet been taken in this regard, there are enough pointers to this effect, the most important among them being the current attempts at lowering input costs in preference to allowing a raise in the prices of finished products. The improved outlook of finding oil in the country too has induced thinking on the desirability of increasing the use of petroleum-based fibres. The growing acceptance by the consumers of synthetic or mixed fibres owing to their longer durability and easier washability in comparison with cotton cloth is the third important pointer. In fact, the multi-fibre approach has been adopted to some extent by the textile manufacturers already on the latter two considerations not only in the cotton goods industry but also in the production of woollens. But this approach as yet has not been adopted on a systematic basis.

no alternative

If the country has to clothe adequately its teeming millions, which are growing further at a significant pace, there perhaps is no other alternative than to go in for the multi-fibre approach to our textile industry. Ad hocism will no longer do. The policy framework will have to be drawn up on a long-term basis as a multi-fibre industry will have to be supported by a fairly ambitious programme for the production of synthetic fibres. The production capacity in these lines of manufacture at present is very limited, though some plans are underway for its expansion.

important prerequisite

The most important prerequisite of a multi-fibre textile industry, however, is a change in the attitude of the government and the realisation on its part that synthetic or mixed fabrics are no longer a luxury required only by the more affluent sections of society. This is imperative for, in the interest of a rapid growth of the production of synthetic fibres, the two main handicaps from which the industry is suffering, namely, high taxation and comparatively small-scale of manufacture, have to be obviated. While the production costs of synthetic fibres can be brought down through expanding the scale of production, lower taxation should lead to growth in demand for the synthetic or mixed fabrics. High taxation, indeed, is acting as a damper in this regard and if the use of non-cotton or mixed fabrics has percolated to the lower middle sections of society, it has been primarily due to the two major advantages which they enjoy over the fabrics wholly made out of natural fibres in respect of maintenance.

A realistic approach towards the development of the production of synthetic fibres is also called for on the score that till lately these fibres were being smuggled into the country on a fairly large scale and the current programme of importing sizeable quantities of these fibres has been necessitated to no small extent by the dwindling of the supplies which earlier were available through smuggling to augment the availability of natural fibres. If the manufacture of textiles has to be kept up not only to cater for the domestic requirements but also to meet the export needs at reasonable prices, there is no other alternative but to import synthetic fibres directly.

A multi-fibre approach to the textile industry, however, will require not merely scaling down of the incidence of taxation on synthetic fibres and a substantial increase in the scale of their production but also equipping of our textile units with machinery for the manufacture of synthetic or mixed fabrics. This task can be easily undertaken at the present juncture when an ambitious programme of modernisation of the textile industry is being launched, particularly in the governmental sector under the aegis of the National Textile Corporation. In fact, this factor alone warrants an early decision of the long-term textile policy based on multi-fibre approach. Otherwise, there is a danger of unnecessary wastage of funds.

wholesome results

The multi-fibre approach can yield some other wholesome results too, the most important among them being the release of some area under cotton to the growing of such other essential crops as edible oils and sugarcane. Whereas we continue to spend sizeable quantities of foreign exchange on importing edible oils, we can step up exports of sugar not insignificantly if we can throw up larger surpluses of this commodity. As a sequel, land use can be rationalised, which process cannot be delayed too long. The growth in population makes it imperative that the limited resources of cultivable area are put to the most optimum uses so that the competing claims on them can be met to the best advantage of the economy.

CAPITAL'S CORRIDORS

R. C. Ummat

Board of Trade deliberations • Cooperative oilseeds industry • ITC's diversification

A TWO-PRONGED strategy has been evolved by the union ministry of Commerce not only to meet the current difficulties of the cotton textile industry but also to counter the clamour for a substantial raise in the prices of finished products.

Briefing newsmen here last week after the Board of Trade meeting, the secretary for Textiles in the ministry of Commerce, Mr S.S Puri, revealed that an ambitious programme had been drawn up to augment the supply of cotton as well as synthetic fibres so that the supply of raw materials could be approximated to demand. The other prong of the strategy was efforts at lowering raw material costs so that there was a better alignment between raw material costs and the prices of manufactured products.

containing prices

The government, Mr Puri added, felt that this strategy could help in containing the prices of cotton goods in the interest of consumers. Apparently, the government does not think that the present price level of these goods is unreasonable. This inference is inescapable from Mr Puri's observation that there was no undue accumulation of stocks at present despite increase in production during the first seven months of the current financial year. The consumer demand, he stressed, was obviously there at the present prices of cotton goods.

The increase in production during the seven months to October, Mr Puri stated, had been of the order of 3.5 per cent in cloth and 7.4 per cent in yarn compared to the levels of output during the corresponding period last year. The production of cloth had been around 2379.4 million metres, as against approximately 2,300 million metres, and that of yarn about 606 million kgs, compared to nearly 564 million kgs.

Referring to the need for evolving the above strategy, Mr Puri emphasised that over the 12 months to October, whereas the prices of raw cotton had registered an increase of 56 per cent, those of yarn had gone up by 28 per cent and of the mill cloth by just about 5 per cent.

import of cotton

Mr Puri disclosed that the total demand for cotton during the current cotton year was estimated between 92 and 94 lakhs bales — consumption by the cotton mill industry 72/74 lakh bales; ex-mill consumption two lakh bales; closing stock at the end of the year equivalent to three months' consumption 18 lakh bales. As against this, although no firm estimate of this year's production was available as yet, the total supply of raw cotton from indigenous sources, including the opening stock of 14.25 lakh bales, might, be around 80 lakh bales. There was, thus, a gap of about 12/14 lakh bales which had to be made up. The government had already planned to import five lakh bales of raw cotton; the funds for this purpose had been allocated to the Cotton Corporation of India. The balance requirements were proposed to be met through liberalised imports of non-cotton fibres.

Licences, Mr Puri revealed, had already been issued for the import of 80,000 tonnes of viscose staple and polynosic fibres which represented an equivalent of 3.5 lakh bales of cotton. As the industry had been allowed to import these two products freely as well as free of customs duty up to October 31 next year, Mr Puri felt, another 1.5 lakh bales cotton equivalent of these fibres would be imported by the industry. Imports of polyester fibre had also been de-canalised and these imports over the year were expected to be between 10,000 tonnes and 15,000 tonnes, equivalent to 50/75,000 bales of cotton. The indigenous production of non-cotton fibres was expected to be of the order of 2,400 tonnes of polyester fibre and 60,000 tonnes of viscose staple fibre. As a result, therefore, the stock left over at the end of the year might be somewhat better than the opening stock this year.

duty removed

As regards bringing down the cost of raw materials, the customs duty on viscose staple and polynosic fibres, Mr Puri stated, had already been removed up to October 31 next year. The cost of polyester fibre had been lowered by the State Trading Corporation from Rs 75 to about Rs 63 per kg. The future imports were likely to cost around this level.

Referring to the demand for the continuation of incentives for textile exports— which including the exports of art silk and woollen fabrics aggregated to about Rs 550 crores per annum — Mr Puri observed that further discussions were proposed to be held by his department with the industry so that these exports could be sustained.

Mr Puri further stated that the Commerce minister, Prof D.P. Chattopadhyaya, had urged upon the industry to maintain a steady production of controlled cloth for meeting the requirements of the weaker sections of society and not to unilaterally go back on this obligation — a tendency which has been noticed recently following the exemption granted from the production of controlled cloth to mills which are incurring losses. The government, Mr Puri added, was seized of the problems of the financially weak mills and proposed to devise ways and means of alleviating their distress through mutual discusssion.

jute goods

The other two industries the problems of which came up for discussion at the Board of Trade meeting were the jute and engineering industries. Briefing newsmen on the discussions on these two industries, the Commerce secretary, Mr S.G. Bose-Mullick, stated that the Board of Trade noted the decline in our share of world packaging trade from approximately 64 per cent about 10 years ago to 40 per cent now due to keen competition from synthetic substitutes which had entered the market in a big way and also owing to competition from the other jute goods manufacturing countries in the shrinking world market for these goods. He, however, added that the Board did not consider the future outlook to be as bleak as hitherto for lately indications had been there of a swing again in favour of jute goods as a result of the production costs of synthetic substitutes going up following hike in the price of crude oil. In fact, Mr Bose-Mullick pointed out, there was some improvement in the prices of jute goods recently and also the demand for jute wool packs from Australia had revived as the price of these packs now compared favourably with those of the synthetic packs.

input costs

The representatives of the jute industry pleaded at the meeting that the government should take into account the rising input costs while sanctioning soft loans for the modernisation of industry. They also wanted cash assistance for jute exports to be continued beyond March, 1977. Another plea of their's was for a reduction in the import duty on the equipment imported by the industry. The present import duty of 42 per cent on imported equipment was considered to be too high. The industry as well wanted that the minimum support price for secondary carpet backing should be abolished. Reference was also made to the shipping difficulties faced by the jute industry.

The government spokesmen at the meeting stressed the need for research and development to find new end-uses for jute. This effort, it was stressed, ought to be stepped up. It was pointed out that there was likely to be increased international cooperation in the R&D effort with the coming into existence soon of Jute International. The government spokesmen assured the industry representatives that their above pleas would be sympathetically considered.

The chairman of the Shipping Corporation of India allayed the fears of jute industry about freight rates on jute goods. The shipping rates for both jute goods and raw jute exports, he stated, were proposed to be continued to be charged at the present low levels so that exports were not hindered.

engineering exports

During the discussion on engineering exports, the representatives of the industry desired that steel should be made available to them at prices at which exports of prime steel were being effected. It was also suggested that a cell should be created in the Commerce ministry to identify underutilisation of capacity in the various lines of manufacture in the engineering industry and to consider ways and means of harnessing the idle capacity for exports. The need for tapping non-tradional markets for engineering goods exports, such as the markets of south America, north America and Nigeria, was also stressed by some industry representatives. They pleaded that some freight subsidy could be considered for the purpose.

The representatives of the small-scale sector wanted exports of certain items like garments in the textile industry and electronics in the engineering industry to be reserved for this sector. It was complained that the existing export promotion council for the engineering industry tended to discriminate against the products of small-scale units. The establishment of a separate export promotion council for the small-scale sector, therefore, was urged. The small-scale manufacturers, it was suggested, could also form export groups. In their case, the government, it was stressed, should not insist on any exports in the first year for the provision of facilities, but could stipulate exports worth Rs 5 lakhs and Rs 10 lakhs, respectively, in the second and third years.

It was further suggested that the allowance for business tours abroad particularly the west Asian markets, should be raised. Another suggestion made was that in the interest of containing the cost of project exports, the bank charges for bid bonds and performance guarantees should be reduced. The Reserve Bank governor pointed out that already bank charges of bid bonds and performance gaurantees had been rationalised. Further concessions could be considered.

The representative of the Industrial Development Bank of India stressed that efforts should be made to form consortia for civil construction and turn-key projects abroad. The Projects and Equipment Corporation, he, said, had already formed one such consortium. The Federation of Indian Export Organisations could set up some more consortia.

The secretary of the ministry of Shipping assured the Board of Trade that the problems of shipping were being looked into by his ministry. The idea of centralised cargo booking was also under consideration.

The industry was also assured that simplication of the system of cash assistance was under the consideration of the government. The duty drawbacks, it was pointed out, were already being allowed through banks.

production for exports

In his inaugural address, Prof Chattopadhyaya called upon the leaders of industry and trade to spare no efforts in accelerating expansion of production for exports. He asked them to take full advantage of the measures taken by the government to liberalise imports of capital goods, design and spares. He as well urged them to adopt a vigorous export strategy to meet the changing situation in the international trade which was becoming increasingly competitive and more complex than ever.

Prof Chattopadhyaya regretted the growing tendency of the developed countries to resort to restrictions on one pretext or the other whenever commodity exports from a developing country tended to expand. He cautioned that there could be serious repercussions of this tendency to the economies of the developing nations.

Prof Chattopadhyaya stressed that the future vigorous export efforts should not be confined merely to expanding the quantum of traditional and non-traditional exports but should also cover intensive market surveys which could throw up anticipated demand in the foreign markets to meet which exports from here could be stepped up. He called for a concerted effort at consultancy exports.

The Commerce minister announced the government's decision to set up a national centre where all commercial intelligence obtained would be pooled and made available to the business community.

Prof Chattopadhyaya expressed satisfaction at the 28 per cent increase in export during the first six months of the current financial year over the corresponding period of last year, but warned the business community against complacency. He pointed out that our share in global exports was just around 0.54 per cent. It had gone down to this level from 1.2 per cent about a decade ago. Even in the regions like west Asia and north Africa, to which our exports had expanded rapidly in the recent past, our share of the market, he said, was no more than three per cent.

Prof Chattopadhyaya urged industrialists to utilise what was presently going waste in our agricultural and industrial processes. Production methods, he observed, could be devised to utilise these wastes both for internal purposes and export. He identified in this connection such items as rice bran, mangoe kernels and by-products of slaughter houses. He disclosed that an export project cell had already been set up in his ministry to work on the utilisation of these waste materials.

* *

The two-day conference of the co-operative oilseeds industry, which was held here last week, has recommended the setting up a national federation of oilseeds processing units in the country. Pending the formation of the federation, which may take some time, it has suggested that an informal council of co-operative oilseeds processing units should be set up under the aegis of the National Co-operative Development Corporation.

The new organisation is envisaged to provide a common forum for compilation and dissemination of relevant information and monitoring the operations of the industry.

The conference, which was attended by about 100 representatives of co-operative institutions running oil mills, stressed that oil units should maintain their co-operative character, adopt policies which ensured better returns to the growers and supply of oilseed products to consumers at reasonable rates. The units were told to modernise their management, improve capacity utilisation, maintain machines systematically and adopt measures to control costs.

Another recommendation of the conference was that the co-operative oil mills should collaborate at the state and hational levels for adopting joint sales arrangements specifically for the export of oilcakes.

It was also decided to give full support to the National Agricultural Co-operative Marketing Federation in its implementation of the national oil plan. The conference hoped the plan would be extended to ensure full protection to growers and consumers.

cooperative sector

The conference adopted a plan for the development of the oilseeds processing industry in the co-operative sector in the next five years. The plan includes the organisation of about 50 oilseeds processing complexes with a total capacity of about eight lakh tonnes of oil-bearing materials. About 20 of these units, it was stressed, should be based on cottonseeds, 14 on groundnuts and the rest on other seeds. The National Cooperative Development Corporation has agreed to finance these units if they are viable. The NCDC has already assisted 31 large oilseeds processing complexes out of which 18 are already in production.

Most of the co-operatives, it was felt, were now utilising only one type of raw material and this affected their capacity utilisation. The conference, therefore, suggested that all units should diversify their machinery so as to use a variety of oilseeds. It was also emphasised that the government should make its licensing policy flexible enough for this purpose.

Units in some states like Gujarat, it was pointed out, were depending rather heavily on the pooling system for raw material. Certain units were finding it difficult to obtain sufficient raw material. It was, therefore, suggested that in order to achieve better capacity utilisation, these units should adopt other methods of procuring raw materials.

It was also recommended that cooperatives should take up oilseeds development programmes in their areas of operation.

The conference further suggested that the licensing policy for co-operative units should be liberalised.

* *

The five-star Hotel Mughal, which India Tobacco Company Limited has put up recently at Agra, after the first such hotel constructed by it at Madras—Hotel Chola —last year, should go some way in improving tourists facilities at this historic town which because of the renowned Taj Mahal attracts a large number of tourists—both national and international—daily. The ITC went into the hotel business, as also into the export of general merchandise and marine products, with a view to diversifying its activities. Its third hotel—this too a five-star one—is currently under construction at New Delhi. It has been named after the Great Mauryas.

Unlike the other modern hotels coming up in the country, the 200-bed Hotel Mughal, built at a cost of about Rs 4 crores, is not a high-rise construction. Imaginatively planned, it is a "walking" hotel with all modern amenities—a home away from home. Its well laid gardens have a soothing effect. The beauty of the historic Taj can be enjoyed from the various observation points of the hotel.

In line with the philosophy of industrial units doing their bit for the improvement of rural areas, Hotel Mughal proposes to adopt the village adjacent to it and spend several lakhs of rupees on improving living conditions there. Arrangements are also envisaged to be made to show tourists the Agra artisans at work in their homes.

Significantly enough, the ITC has not gone in for any collaboration for its hotel business, reflecting its faith in the competence of its personnel.

The proposed dilution of the foreign holding in the equity of the ITC to slightly less than 40 per cent should augur well for the future diversification and expansion programmes of this professionally-managed corporate unit.

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Agricultural marketing

Dr Rajendra Prasad

While agricultural production has increased in this country in recent years, there have been persistent demands for improved agricultural marketing practices. In Bihar, this has been tried through market yards. Three of them have already started working while 14 are at various stages of completion. The author has listed the various advantages which accrue to the producer as well as the consumer through improved agricultural marketing.

BIHAR HAS been recognised as one of the backward states of India and is far below the national average on almost all counts. "With its 60.8 million population, Bihar is the second most populous state. It accounts for 5.3 per cent of the country's total area. The density of population at 349 per sq km is nearly double the all-India average. Moreover, of the total population of the state, only 10 per cent is urban as against the all-India average of 20 per cent. The lower rate of ubranisation underlined the poor demand of labour and the limited job prospects in Bihar as compared to other states. Per capita income is also considerably low in comparison to all-India average. Even the basic infrastructure, such as electricity and road length on which economic growth hinges, are poorly developed. Only 14 per cent villages had been electrified up to March 1974."[1] "The length of surfaced road per 100,000 of population was only 50.6 kms in Bihar against the average of 86.1 for all-India in March, 1972 and the relative position has not changed since. Development of rural roads has also been lagging behind."[2]

farm-oriented economy

Bihar is predominantly agriculture-oriented economy, not with a pronounced commercial basis, but subsistence agriculture with its emphasis on the production of food for the cultivator's family. Agriculture including allied industries alone contributes about 59 per cent of the total income of the state.

There is overwhelming dependence on agriculture. In 1971, about 82 per cent of the total working force as cultivators and agricultural labourers were dependent for their livelihood on agriculture. About 80 per cent of operational holdings in the state are less than two hectares in size, revealing a vast majority of small and marginal farmers.

"Out of the total area of 428 lakh acres, the average net area sown is about 210 lakh acres and current fallows 60 lakh acres. Culturable waste lands (12.7 lakh acres) constitute only 3 per cent, and forests (72 lakh acres) about 17 per cent of the total area."[3] Approximately 25 per cent of the net area sown is under irrigation facilities.

The agriculture sector has a large number of small and fragmented holdings whose output is still dependant on vagaries of the monsoons. Lands suffers from serious drought once in every five years. The alluvial areas of the state are also liable to suffer heavily from floods whose frequency and intensity appear to have increased in recent years.

POINT

OF

VIEW

There is insufficient availability of farm credit, as the co-operative credit structure is weak, and commercial banks have yet to penetrate into rural areas in Bihar.

The state has been making planned efforts in post-independence years to raise its agriculture from traditional niggardliness to modern abundance. In this direction, the government of Bihar made a huge investment on various development programmes. Due to this, considerable progress has been made in agricultural production, particularly in command areas (gross agricultural production has been more than doubled during the last decade in Kosi and Gandak), yet overall agricultural growth in Bihar has not attained the levels anticipated by the government. "At the end of the fou five-year Plan the state's food produ tion in a cultivated area of 287 la acres was only 84 lakh tonnes, 23 la tonnes less than the target".[4] Besid natural hazards, a major reason for th disappointing position is that not enoug attention has been devoted to faciliti and services for productive and distr bution systems which must be availab to the cultivators to develop agricultura economy. Productive facilities not suff ciently stressed are availability of inpu and production credits etc. While th importance of these facilities is recognise this article will deal only with marketin of agricultural commodities.

market facilities

There has been negligence about the proper market facilities for agricultural commodities and the relationship between marketing and production is overlooked. The possibility that marketing must play an important role in agricultural development is seldom considered. A similar situation also exists in respect of increased efficiency in the marketing of agricultural products and its importance in the development of the economy as a whole.

It is generally agreed that the traditional marketing system in this state and elsewhere in India or in developing countries is not highly competitive, trade is often viewed as being unproductive, and the various agents that make up the system are frequently left to be exploited. More often the farmers neither have the facilities of marketing not business ability. Foodgrain transport system appears to be very insufficient, modes of transportation are traditional. There is lack of grading and standard weights and measures facilities. Defective preparation and adulteration of agricultural commodities are common.

The features of traditional marketing clearly reveal that the agricultrists generally market their produce under very disadvantageous conditions. Low returns of the marketable surplus as a result of a defective marketing organisation have been resulting in the cumulative process loss to different segments of the ciety. Marketing through the channels low income, low savings, low investnt, low agricultural production, low rketing surplus and the low bargaing power creates a vicious circle. Under h circumstances, even if the producn side is strengthened and cultivation proved the peasants may not gain ch as the benefits of better farming uld probably be reaped by middlemen. With a view to modernising agriculre, it is necessary to reduce as speedily d effectively as possible various deficncies in the marketing structure. The reasing appreciation in recent years the disabilities from which the cultitors suffer owing to lack of satisfactory rangements for the marketing of their oduce is an encouraging indicator in progress of planned economic velopment.

In some situations, there may be the ed for a much more elaborate d comprehensively organised marketg system. For fresh fruits and vegetaes, for example, there must be uniform d precise grading, packing, temperature ntrol in transit timing and adjustment total quantities delivered to particur markets, and consistent sales omotion.

processing cost

There should be a place where various pes of agricultural processing is conductd on a larger scale. It should be posible to lower the unit cost of processing, nd at the same time, producing qualityontrolled processed products which ommand the best prices in city markets.

An effective distributive system for roduction supplies and consumption equirements is also essential. If highielding seeds, fertilizers, insecticides, farm quipments, etc. are not readily available t low cost, the expansion of agricultual production may not be sustained. If suitable range of consumer goods is ot also obtainable conveniently and nexpensively, then the farmer's standard f living may not be improved. Thus, here is the need for scientific marketing i) to improve the traditional marketing ystem with a view to protecting the nterest of the producer and increasing his income by making the market structure more competitive and efficient, (ii) to provide a desirable level of satisfaction to the consumer for spending his money, and (iii) to give a fair return to the trader for his efforts.

An efficient marketing system can only be created if the ideas of scientific marketing are implemented properly. The ways of carrying out marketing improvement by introducing new procedures, construction of new facilities, organisation of new enterprises and suppression of undesirable practices require someone to take the initiative. This initiative in Bihar as well as in the country as a whole originated from the government.

regulated markets

In Bihar, the first step was taken to remove the imperfections in the marketing system by enacting the Bihar Agricultural Produce Market Act, 1960 (Act, XVI of 1960). This Act provided for the creation of market areas and constitution of market committees, regulation of market charges and market practices licensing of market functionaries, display of market information, arrangement of sale by auction, etc.

The working of the regulated markets during the last few years has faced various hurdles. The existing shops and godowns of the traders formed part of the town. Even in the important wholesale markets shops and 'Arhats' were in narrow lanes which do not permit the access of vehicular traffic. Due to the absence of a well-defined and equipped market area, the market committees were on the one hand experiencing difficulties in enforcing the regulatory provision of the Act, and on the other hand, they were deprived of the legitimate revenue which could have been invested on developmental work. Thus, the entire programme of regulation was rendered ineffective and, therefore, distributional efficiency could not be properly channelled for the benefit of the various sectors of the population.

The need to broadbase the development process for rural marketing in Bihar has been strongly felt by promoting a network of market yards to adduce the scientific marketing system. A market yard would be a centrally-located small market town where appropriate facilities would be available to operate an impersonal and competitive market for farm produce and also would act as nuclei of development. For implementing this idea, the government of Bihar proposed to construct various market yards for providing modern market facilities which include office buildings, auction platforms, wholesalers' shops, storage, godowns, amentities for the farmers like resthouses and canteens, water for human and animal consumption, parking areas for bullock and carts, fences for security and other facilities such as banks, post offices, credit co-operatives, extension services, shops selling fertilisers, seeds, and equipments, workshop for repair of implements, and consumers stores. To provide this infrastructure for agricultural development, finance was the main constraint, as it was beyond the reach of the government as well as the resources of the market committees. This difficulty was, however, removed by sanctioning an IDA credit of Rs 10.16 crores (US $14 million) to meet about 60 per cent of the Rs 16.95 crores total cost for constructing 50 market yards as well as for training and project evaluation.

three agreements

Negotiations were made for entering into an agreement on terms and conditions set forth in the "three agreements"[5] in March 1972 between the government of India, the state of Bihar, the Agricultural Refinance Corporation and the State Bank of India. The state government and market committees are sharing 11 per cent of the project cost. The Agricultural Refinance Corporation and the State Bank of India are financing 20 per cent and 9 per cent respectively of the project cost from their own funds.

The primary responsibility for the execution of 50 agricultural market yards, commonly known as IDA markets, was assigned in the middle of 1972 to an autonomous, statutory board known as the Bihar State Agricultural Marketing Board which was created by amendment to the Bihar Agricultural Produce Market Act. This marketing board was given general supervisory powers over the "regulated market committee"[6] and was made the key management agency in planning for the development of market yards equipped with modern amenities and for their proper operation. The construction of facilities in all IDA markets should be completed by the end of 1978.

So far, three market yards (Gulab-bagh, Bihta and Nokha) have started working and 14 are at various stages of completion. Land acquisition proceedings have been initiated for 20 markets out of the remaining 33. The board would also construct market yards under SEDA and MEAL schemes, tribal development scheme and state plan.

IDA credit

The IDA (an affiliate to the World Bank) entered in the field of agricultural marketing for the first time to meet the major part of costs of developing 50 agricultural market centres in the state of Bihar. These markets would provide modern market facilities within fenced market yards of '6 to 25 hectares'.[7] At the full development of the market yards, income of farmers as well as licensed traders would increase while consumers would pay a slightly higher price for a better quality of produce that would be ensured by the markets. It could be assumed that the consumers' satisfaction would be considerably higher than the price paid for agricultural commodities. The project would also stimulate employment opportunities.

Proper arrangements for efficient handling of huge amounts of agricultural produce under sale by auction that assures maximum competition, cleaning and grading, eradication of unauthorised charges and adequate scientific storage facilities would bring a significant increase in income to the producers. The tangible benefits expected to accrue to the producers are estimated under the following categories:

Categories	Norms (per cent)
1. Higher prices induced by fair competition under auction system.	1 to 2
2. Higher prices which the purchasers would be willing to pay owing to cleaning and grading of produce.	3 to 5
3. Reduction in market charges.	3.75
4. Benefit from improved storage.	3 to 5

The increased prices received by the farmers would result in increased agricultural production is one of the major aims of the project. In its appraisal of Bihar Agricultural Markets Project, IDA quantified that this project would result in one per cent increase in agricultural production at full development.

The business activities will completely be concentrated in the market yards, resulting in a significant reduction in c gestion and excessive traffic in the m town. This would diminish maintena and administrative costs of the mun pality. (IDA estimated Rs 1 milli saving).

Under-employment and unemploym are well recognised phenomena in develc ing countries which led to large sc migration of people from rural areas cities in search of employment. Tl resulted in overcrowding the cities a initiated a disordely process of soc changes.

The long-term aim of the project is create an agri-business system in tl rural areas. Thus, the growth of mark yards would provide a considerab number of jobs to the people who want such opportunities outside the villag IDA appraisal report indicates that mark construction would require about 150 ma years for each market built or a total 7,500 man years, and permanent emplo ment of market yards (staff and labour) estimated at a minimum of 2,000 jobs.

There are certain other benefits whic are probably not quantifiable. Thes benefits include savings in transportatio of agricultural commodities, demonstr tion affects of the markets yards on th thinking of farmers, traders and con sumers, change in agricultural technolog and cropping pattern, and evolution o healthy interaction between the existin private system and the public sector.

References

1 Facts mentioned for explanation have bee taken from the table *Bihar : Some Basic Fact* Published in *Commerce*, August 16, 1975, P-17.

2 Government of Bihar (Planning Department) *Draft Annual Plan 1976-77*, Chapter I, p. ii.

3 Government of Bihar (Planning Department) *Draft Annual Plan 1976-77*, Chapter I, p. i.

4 Bihar's Agriculture, *The Indian Nation*, Feb. 10, 1975, p. 4.

5. Credit Number 294 (Bihar Agricultural Market Project) Dated March 29, 1972, (a) *Development Credit Agreement* between India and IDA. (b) *Bihar Agreement* between IDA and the State of India (c) *Project Agreement* between IDA and Agricultural Refinance Corporation and State Bank of India.

6. When the board was constituted in 1972 the total number of regulated markets in the state was only 62. At present the board has 110 regulated markets and proposes to set up another 20 during the current financial year.

7. The area of a market yard is calculated taking average market arrivals into consideration. It should be at least 6 hectares when the average market arrivals estimated on an annual basis are less than 125 tonnes per day plus 1 hectare for every 20 tonnes per day over 125.

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Manager

Regional disparities and expansion of bank branches

K. K. George

Analysing the data for the 5½ years period after the nationalisation of 14 major banks, the author (who is manager of the State Bank of India at Palghat) has come to the conclusion that the objective of utilising the bank branch expansion programme as a tool to correct the inter-state and intra-state imbalances was not achieved because the new branches opened were mostly in rural, semi-urban and unbanked areas and not in backward areas.

ONE reason often given to explain the wide disparities in the flow of bank credit to different[1] regions is the uneven development of banking infrastructure in the country. At the end of June 1969, just before the nationalisation of 14 major banks less than one third of banks' branches were located in backward states and territories. Branches located in the backward districts were only less than two-fifths of the total. Even among the branches established in the backward districts, only 37.5 per cent were situated in backward districts of backward states. This article seeks to find out whether this uneven spread has changed as a result of the vigorous programme of branch expansion, hailed as the most striking change[2] and the most significant achievement after nationalisation.[3] The sources of data are:

(I) The Basic Statistical Returns, (Provisional Results for December, 1974);

(II) Banking profile published by the Reserve Bank of India, and

(III) The annnal reports of the Reserve Bank of India.

minor difference

There are some minor differences in the number of branches at the end of June 1969, furnished in the Banking Profile, and the Basic Statistical Returns. But these however do not vitiate the findings of the study. The period covered is 5½ years after nationalisation.

Table I shows that the preference of the banks in favour of developed states and districts in the matter of location of their branches continued even after June 1969. Of the 9674 new branches opened after June 1969 till December 1974, 5731 (59.30 per cent) were in the eight developed states and two union territories. Their share in the increase was disproportionate to their share in population (44.0 per cent) as also in relation to the large share they already had in June 1969 (67.8 per cent). Some developed states such as Haryana, Punjab and Karnataka had improved their relative shares during the period. The relative share of West Bengal, the only developed state which was considered as underbanked came down.

underbanked areas

The new branch expansion programme laid considerable emphasis on opening branches in under-banked and unbanked centres. Of the total number of branches opened during the five-year period after nationalisation, 53.3 per cent were opened in unbanked centres. However, most of these branches (55.3 per cent) were opened in the unbanked centres of developed states and territories. The share of these states in the total branches opened in unbanked centres is no doubt, coming down. But the decline does not show a steady and continuous trend. In fact, the share of these states rose to the maximum in 1971-72 (59.9 per cent) from 56.4 per cent in 1969-70 and 54.4 per cent in 1970-71. In 1972-73 the share came down rapidly to 50.3 per cent only to go up to 52.3 per cent in 1973-74. West Bengal the underbanked among developed states had the lowest share among developed states (barring Haryana) in the branches opened in unbanked areas after nationalisation.

Of the total branches opened after nationalisation till December 1974, 51.3 per cent were in rural areas and 21.8 per cent in semi-urban areas. This is a laudable achievement, no doubt. However, of the total rural branches, 54.4 per cent were in the rural areas of developed states and territories. In the semi-urban branches opened, this proportion was (59.3 per cent) still higher. The share of these states in the urban and metropolitan branches was the highest (69.2 per cent).

interstate disparities

As a result of the larger share of the developed states and union territories, the rural and semi-urban orientation of the new branch expansion programme failed to make a dent in the problem of inter-state disparities in the banking infrastructure. In fact Punjab, Tamil Nadu and West Bengal among developed states increased their share in the total number of rural branches. The share in semi-urban branches went up for Kerala, Haryana, Punjab and West Bengal. Except for the latter, none of these states were considered as underbanked in 1969.

The new branch expansion programme failed to undo the wide intra-state disparities in banking infrastructure which prevailed before nationalisation of banks though it did make an attempt in this direction. The 252 backward districts accounting for 65.9 per cent of the total 384 districts (excluding Sikkim) had received only 45.3 per cent share in the branches opened after nationalisation. The share of backward districts in the total number of branches opened in developed states was still lower (38.3 per cent). Thus developed states as a whole showed increase in intra-state disparities during the period. The share of backward districts in the branch network came down in the states of Karnataka and Tamil Nadu (developed) and Assam (backward), indicating an increase in intra-state disparities.

Though a higher percentage of branches opened in backward states was in the backward districts (55.4 per

TABLE 1

State and Districtwise Distribution of Offices Opened after Nationalisation—June 1969-December 1974

(All Scheduled Commercial Banks)

	State and Union Territories	Rural	Semi-urban	Urban and metropolitan	Backward districts	Developed districts	Total	Offices opened in unbanked areas
Developed States & Union Territories								
1.	Gujarat	8.0	7.1	8.0	6.5 (37.0)	9.1	7.9	7.4
2.	Haryana	2.6	4.7	0.7	1.6 (28.2)	3.3	2.6	2.4
3.	Karnataka	10.8	7.9	8.6	11.4 (53.6)	8.2	9.7	10.7
4.	Kerala	6.2	9.9	2.6	6.3 (51.0)	5.0	5.6	7.2
5.	Maharashtra	7.2	9.9	16.6	6.0 (26.1)	14.0	10.4	6.8
6.	Punjab	7.2	6.1	3.4	4.1 (30.5)	7.8	6.0	6.9
7.	Tamil Nadu	8.2	8.6	9.2	8.8 (47.1)	8.2	8.5	8.7
8.	West Bengal	4.2	5.1	8.5	5.5 (44.8)	5.6	5.6	4.9
9.	Chandigarh	..	..	1.2	..	0.6	0.3	..
10.	Delhi	..	..	10.2	..	5.0	2.7	0.3
	Total	54.4	59.3	69.2	50.2 (38.3)	66.8	59.3	55.3
Backward States & Union Territories								
11.	Andhra Pradesh	7.6	8.4	7.8	8.1 (46.4)	7.7	7.9	7.4
12.	Assam	1.7	1.5	0.6	1.6 (58.8)	0.9	1.2	1.8
13.	Bihar	5.6	5.7	2.7	6.7 (62.2)	3.4	4.9	5.7
14.	Himachal Pradesh	2.3	0.8	..	2.0 (64.2)	0.9	1.4	2.2
15.	Jammu & Kashmir	1.7	0.8	1.5	3.2(100.0)	..	1.4	1.5
16.	Madhya Pradesh	6.0	6.3	3.9	8.1 (66.7)	3.4	5.5	6.4
17.	Manipur	0.1	..	Neg.	0.2(100.00)	..	0.1	0.1
18.	Meghalaya	0.1	0.3	..	0.2 (50.0)	0.2	0.2	0.1
19.	Nagaland	0.1	0.1	..	0.1(100.0)	..	0.1	0.1
20.	Orissa	2.3	2.3	0.9	1.8 (41.5)	2.1	1.9	2.2
21.	Rajasthan	4.8	4.0	3.1	4.5 (48.7)	3.9	4.2	4.3
22.	Tripura	0.2	0.3	..	0.3(100.0)	..	0.2	0.2
23.	Uttar Pradesh	11.8	9.1	10.3	11.0 (46.0)	10.7	10.9	11.6
24.	Andaman & Nicobar Islands	Neg.	0.1	..	0.1(100.0)	..	Neg.	...
25.	Arunachal Pradesh	0.1	..	..	0.2(100.0)	..	0.1	0.1
26.	Dadra & Nagar Haveli	0.1	..	..	0.1(100.0)	..	Neg.	0.1
27.	Goa, Daman & Diu	0.8	0.6	..	1.2(100.0)	..	0.5	0.7
28.	Lakshadweep	0.1	..	..	0.1(100.0)	..	Neg.	0.1
29.	Mizoram	Neg.	0.1	..	Neg.(100.0)	..	Neg.	Neg.
30.	Pondicherry	0.2	0.3	..	0.3(100.0)	..	0.2	0.1
	Total	45.6	40.7	30.8	49.8 (55.4)	33.2	40.7	44.7
	All India Total	100.0	100.0	100.0	100.0 (45.3)	100.0	100.0	100.0

Note : (I) Figures in brackets indicate the percentage share of offices in backward districts to total number of offices in each State/Group of States.

(II) Sources : (i) Basic Statistical Returns for December 1974 data. (ii) Banking Profile by RBI (1972) for June 1969 data, (iii) Various issues of the Annual Report & Trend and Progress of Banking in India for data on branch expansion in unbacked centres.

TABLE II

Statewise and Districtwise Population per office as at the end of June 1969 and December 1974

(All Scheduled Commercial Banks)

State/Union Territories	June 1969 Backward districts	June 1969 Developed districts	Total	December 1974 Backward districts	December 1974 Developed districts	Total
A. Developed States						
1. Gujarat	49100	28016	35502	23836	14066	17610
2. Haryana	82481	50559	58354	30319	21562	23897
3. Karnataka	40013	36822	38755	19109	14991	40026
4. Kerala	41698	30936	35520	20141	17554	18759
5. Maharashtra	99102	32453	48091	44418	17852	23779
6. Punjab	54554	33996	39165	20756	12106	14571
7. Tamil Nadu	45586	31732	38867	26654	17266	21902
8. West Bengal	189353	40743	87921	75177	21797	42363
9. Chandigarh	—	12863	12863	—	4947	4947
10. Delhi	—	14838	14838	—	7529	7529
Total	62445	32073	43044	30105	16042	21279
B. Backward States						
11. Andhra Pradesh	117353	50966	76724	44978	23392	32708
12. Assam	128084	378104	180557	61174	97390	73126
13. Bihar	329483	141779	206423	82943	66857	75238
14. Himachal Pradesh	90214	75280	82391	17021	23659	19662
15. Jammu & Kashmir	131904	—	131904	26532	—	26532
16. Madhya Pradesh	165060	63282	121441	56719	31657	47442
17. Manipur	536377	—	536377	119195	—	119195
18. Meghalya	—	—	—	88895	12275	50585
19. Nagaland	258225	—	258225	64556	—	64566
20. Orissa	365745	159690	219446	99127	62641	76197
21. Rajasthan	91352	55871	70785	34682	32363	33419
22. Tripura	311268	—	311268	77817	—	77817
23. Uttar Pradesh	182727	75236	118261	71086	32299	49181
24. Andaman & Nicobar islands	115133	—	115133	23027	—	23027
25. Arunachal Pradesh	—	—	—	66787	—	66787
26. Dadra & Nagar Haveli	—	—	—	18543	—	18543
27. Goa, Daman & Diu	10091	—	10091	6307	—	6307
28. Lakshadweep	—	—	—	7953	—	7953
29. Mizoram	—	—	—	332390	—	332390
30. Pondicherry	39309	—	39309	18143	—	18143
Total	155692	81336	115371	55544	36822	46466
All India	97462	46221	66322	41456	22491	30550

Source : (i) Basic Statistical Returns for Dec. 1973 data. Banking Profile by RBI June 1969 data.

Note : Population of districts according to 1971 census.

cent) as compared to those opened in developed states (38.3 per cent), the share of the latter groups in the total number of branches opened in backward districts was more than that of the former. Of the total branches opened in backward districts, 50.2 per cent were in developed states and territories. Of the branches opened in developed districts, more than two-thirds were in the developed districts of developed states.

population served

One of the indicators of the adequacy of banking facilities in an area is the average population served by an office. Measured by this index, it is seen that there are still considerable inter-state and intra-state disparities left in the matter of banking facilities. The population covered by a branch in the backward states was more than twice that of the developed states even at the end of 1974. The position was the same in respect of offices in developed districts analysed separately. Similarly the population served by an office in the backward districts was only a little less than double than that of developed districts. Even here there are considerable inter-state disparities depending on the developmental status of the states concerned. It is interesting to note that the population coverage of offices in the backward states even in 1974 was more than that of developed states in 1969.

The main reason for the continued bias in favour of the 'proven soil' of the developed districts and states in the branch expansion programme even after nationalisation perhaps was the excessive reliance placed on the Lead Bank Scheme and its offshoot, namely the district consultative committees. The Estimates Committee[4] noted with disfavour that the approach of the Department of Banking "has been to leave it to the district level consultative committees set up in lead districts to take care of backward areas in the normal course, this being a matter with which state governments are concerned". The Lead Bank Scheme which played a crucial role in the branch expansion programme after nationalisation is unfortunately neutral as regard to the developmental status of the districts and states. All the districts in the country, both backward and developed, both in backward and developed states barring the handful of metropolitan centres, are lead districts of one bank or the other. In the absence of an effective arrangement for co-ordination of the activities of the banks at an all-India level, the banks went on with their respective branch expansion programme in the lead districts, irrespective of whether the lead districts concerned are backward or developed. The preference naturally was shown to the developed areas, districts and states, because the existing potential in these areas was more. The absence of unambiguous policy guidelines, favouring backward districts and states, also has contributed to this situation. All the banks, no boubt, adhered to the policy guidelines giving preference to rural, semi-urban, and unbanked areas but the branches opened were mostly in the rural, semi-urban and unbanked areas of developed districts. Even when they opened branches in the backward districts, most of them were located in the backward districts of developed states. In this process the grand objective of utilising t branch expansion programme as a t of correcting the intra-state and int state imbalances in the development bank credit with a view to correcting t disparities in economic developme remained largely unfulfilled.

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Eastern Economist 30 Years Ago

DEC. 13, 1946

The Constituent Assembly, representing the overwhelming majority of the Indian people, met on Monday, December 9, 1946. The Governments of the United States, the Republic of China, the Commonwealth of Australia sent messages of friendship and goodwill. It was not without significance that there was no message of hope or cheer from the Government of the United Kingdom. No message was necessary for the Assembly met under the darkening shadow of the London Conference and the threat held out by His Majesty's Government of the non-acceptance of its deliberations by the sovereign power. Men of goodwill, all the world over, who were looking towards India to prove, on the advent of popular soverignty, to be the only exception to the historical rule of civil war and revolution, were shocked to find the British Government actively encouraging a party to hold out from a Constituent Assembly meeting in accordance with the British Cabinet Mission's plan of May 16. But in one sense, it is by now clear, that the London statement has misfired, for it was based on a gross miscalculation that the Congress could be frightened into postponement of the Constituent Assembly or into acceptance of a unilateral and unwarranted interpretation of the Document of May 16. Once the Constitutent Assembly has met and begun to function, it is, as Pandit Nehru has said, a self-directing and self-governing body. The full historical significance of the Assembly of the Indian People, which met on December 9, is that the British Govcrenment lost on that day its status as the sovereign power. True, its representative is still the formal head of the Interim Government. But so was Nicholas the Czar of all the Russias in October 1917, when the power had really passed to the Assembly of the Soviets.

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Pessimism pervades western scene

E.B. Brook, London

The American, French and the British economies are now too fragile to tolerate another general inflationary jolt and diversion of income to countries which will keep much of it out of general circulation. The author fears that the environment lobby in the USA is on the verge of losing out to those who see the salvation of US industry in rapid development of nuclear energy.

WITH A month to go to the new year Europe is more than inclined to be down in the mouth. The pessimistic tone was set, to no one's particular surprise, at a meeting of the Common Market council in Brussels a few days ago. With the exception of the Federal German Economics minister, all states' representatives were afraid that the general level of economic growth in 1977 would be very small if, indeed, there were any growth at all and there was universal nervousness over the price for oil. Only the German spoke of hope of avoiding a flattening out of the economic growth curve and of keeping his economy healthy in the coming summer. Summoning up their courage and speaking, apparently, against their better judgment, the rest of the Market ministers set a general target line for the next year for all their economies—to aim at a general growth rate of four per cent, at full employment (worklessness to sink generally to not more than four per cent) and generally to stabilize west Europe's ailing economies.

WINDOW
ON
THE WORLD

The weakness of ministers' meetings is that they are always expected to say something, to awaken hope and indicate new horizons; while everyone who has anything to do with politics knows full well that their course nowhere goes in so well ordered a fashion.

Like all other continents, Europe has some prosperous spots—quite large spots and several of them; not less has it well-known and more than fully publicized areas of depression. With the exception of Denmark, no one in north Europe needs to worry at all; Austria and Switzerland, not overlooking little but ever-booming Lichstenstein, form a tight knot of prosperity in the middle of the continent and east Europe generally manages fairly well. Not less, both Spain and Portugal are beginning to recover economically from their misfortunes while, as all the world knows, Federal Germany leads the prosperity group at least as far east as Japan.

France, which has still not absorbed the oil price increases of 1974-75, recorded last month the worst trading deficit (just over £0.5 billion) for a very long time and has a current trading deficit so far this year of over £1½ billion. With no natural energy resources to mention France regards with dread the probable coming oil price rise more than most in Europe and is very active in trying to persuade the oil states composing OPEC to change t direction of their thinking. At hor France is spending annually rather le than £6 billion on oil imports and has s a limit of £6.9 billion for its purcha next year.

US concern

Scarcely less concerned is the USA With a change in Administration c January 20, when a Democratic preside will succeed a Republican, there is n a little national as well as internation anxiety as to what the Carter administration will do. The USA is now importin more oil from the OPEC area than it d at the time of the first price increases i 1974, is conscious that the earlier devaluation of the dollar was partly influentia in deciding the oil states to act as the did and for some measure of prese British distress, and is fairy certain th the 'environment lobby' is on the verge c losing out to those who see the salvatio of US industry in the essential matter c energy in rapid and widespread development of nuclear sources for that energy West Germany is thinking likewise France has a sizeable programm for nuclear power stations and suc countries as Sweden and Britain that hav halted for the time being in nuclea development may, even though Britai has oil, find it necessary to hurry ahea before very long with a nuclear development plan that recently they held back from.

The essential point is that the American French and even the oil-owning British economies are now too fragile to tolerate another general inflationary jolt and diversion of income to countries tha will almost inevitably keep much of it out of general circulation. As has bee the case before, the fully industrialize states, pushed to the last internation move, have resorted to a form of worl blackmail. If, they say, western industry indered or made more economically rdensome through high oil prices, it l be much more difficult for the fully in-trialized states to help industrially and ierwise developing states at the Paris nference for International Economic operation (CEIC)* meeting, through Word Bank or elsewhere. In other rds, those least able to tolerate more ficulty will be those who will receive a avier measure of it.

central point

France, as host state, is foremost in lication to the oil states that success at e CEIC meeting is essential. France uses very considerable good relations with e Arab states to try to convince them at there is a link between moderation er oil prices and success at the CEIC etings. That their persuasions are ving some effect is suggested by the stponment of OPEC's Qutar meeting December 20 and in the probability at it may be delayed even longer. The ntral point in international politics of types is January 20 when the new US esident is inaugurated. The probability ems to be that both OPEC and e CEIC conversations will seek to stpone another meeting till they have ore than a lame duck US government office and as negotiating partner. The riously leisurely way of top American litics has kept international affairs no ore than simmering for the better part of year. Next spring is likely to be the me when they really takes off again.

The search for industrial energy remains t the core of international politics; e acceration towards the newest form f energy from the split atom is not the nly direction it is taking. Prosperous West Germany is not only building, in ace of occasional violent protest, met with equally violent police action, many nuclear power stations but planning to use its cheapest, most easily accessible nergy sources—lignite. They are already working it for all they are worth and, despite tremendous resources, will exhaust t at the present rate by 2020. It is not nly spoiling the countryside from the ast Belgian border almost as far east as Cologne and Dusseldorf, it has knocked down 43 villages east of Aachen and driven more than 20,000 people from their homes. At an annual raising rate of 130m tonnes it is fueling nearly 10 per cent of West German industry. Some huge machines dig up 40,000 tonnes a day—an equivalent raising from a back coal mine would need the labour of abont 3,000 miners. In the next ten years lignite mining will move nearly 11,000 people from their homes; the result is that even the acquescent Germans are protesting and the government may find that the supposed threat to its people of nuclear energy may lose it fewer voters and potential voters than grubbing up a low-energy coal and, incidentally, spoiling not only landscape but much useful farmland.

What warries West Germans far more is their current role as universal financial saviours. They help the French; even more they help the British and the Italians. Lesser aid goes to Turkey, Spain and Portugal. Many of the loans are only fractionally repaid. When the British complain of boat loads of shoppers coming over from the continent to buy more cheaply in London and other English towns, the continent, especially the Germans, retort that they pay out nearly £700m a year to keep British grocery bills lower than they are on the continent. The £ is now so low that an ordinary meal of two courses with orange juice to drink costs up to £5 in any continental restaurant at least as far south as Italy.

The result is that the German, still far too often twitted about Hitler and the last war, feels, with some justification, that he is paying for much of the rest of Europe to live anything like as well as they do. Within Germany there is a growing resentment about criticism or mention of past wartime incidents, of continuing prosecution of alleged Nazi criminals of that time and the beginnings of another strong nationalism, partly illustrated by the current split between the northern and southern conservatives in Federal Germany, with the southerners leading strongly anti-socialist and strongly anti-internationalist campaign.

It is necessary for the better health of west Europe that in the coming year the gap in economic well-being and industrial prosperity between the present successful at unsuccessful should narrow; that Italy—now beginning to receive back some of its fugitive capital—should begin to move back towards the prosperity that characterized it in the early sixties; that Britain should expect less and profitably produce more; that a beginning should be made to lower group barriers between Market and non-Market in west Europe and between the west and the east on normal—not semi-barter—trading terms. It there is not a beginning to a return to greater normality the risk is that abnormality may again begin to become predominant—to the political as well as economic risk of every European.

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The conference has been put off indefinitely

World stabilization policies

H. Johannes Witteveen

This is the text of the address by the author (who is managing director of the International Monetary Fund) before the Georgetown University Bankers Forum in Washington D. C. on November 19, 1976. The central point made by Mr Witteveen is that price stability and reduction in fears of inflation in the industrially advanced countries will lead to economic stabilization.

AM VERY pleased to have the opportunity of addressing this twenty-third annual meeting of the Georgetown University Bankers Forum. The programme has certainly been a very attractive one, and the subject on which I have been asked to speak is of basic concern and importance to the International Monetary Fund. In a very real sense, the Fund is an international forum for the consideration of world stabilization policies, in the interest of economic growth and welfare. It is constantly exposed to problems of stabilization as these are manifested in our consultations with member countries, in our endeavours to analyse and project developments in a systematic world-wide framework, and in the adaptation and evolution of the institution's own policies.

complex subject

Nevertheless, the subject before me is big and complex. In thinking about how to deal with it, or perhaps I should say how to touch on it, I have decided that it might be useful first to give a brief analysis of developments over a period of some years, focusing mainly on the industrial countries in view of their dominant influence on the functioning of the world economy. Then, against this background, I shall outline the broad policies that I believe should now be pursued by industrial and other countries in the interest of world stabilization.

To begin with, I might recall the high expectations for stabilization policy in the industrial countries that had developed by the mid-1960s, and the growing dissatisfaction that set in during the latter 1960s and early 1970s. In my view, the disappointing record over this more recent period was due primarily to the tendency of countries to push too hard toward short-term objectives with respect to growth and employment. In many instances, the financial instabilities that emerged were exacerbated by delays in the application of corrective policies, and national authorities were consequently impelled to adopt stabilization measures that had adverse effects on growth and employment. Such "stop-go" policies in the demand management field-were coupled with mounting concern about the continuing increase in cost-push inflation.

incomes policy

Greater attention therefore came to be focused on the use, or possible use, of incomes policy as a supplement to fiscal and monetary policies. By 1970 and 1971, when overall price inflation in the industrial countries had risen to an annual rate of some six per cent, compared with only 2½ per cent in the first half of the 1960s, and when the growth of output had fallen well below expectations, "stagflation" had become an established part of the economic jargon.

However, the disillusionment with economic policies that had developed by 1971 failed to foreshadow the further difficulties which industrial countries were to encounter during 1972 and 1973. In those years, economic slowdown gave way to an unsustainably rapid boom and to the intensification of inflationary pressures. As you will recall, these developments reflected an unusually high degree of coincidence in the phasing business expansion among countries, as well as special factors that contributed to the upsurge of primary commodity prices. A more basic influence, however, was the overly expansive demand policies pursued during 1971 and 1972. As in the period beginning in the mid-1960s, economic forecasting did not prove very reliable; and the appearance of shortages, bottlenecks, and resource pressures during 1973, as well as the worsening of inflation, caught most of the industrial countries by surprise. Meanwhile, the new difficulties and uncertainties that had emerged by the start of 1974 in the area of domestic economic policy contributed to, and were compounded by, a series of extraordinary developments on the international front: the breakdown of the Bretton Woods par value system, the two realignments of exchange rates for major currencies, the resort to generalised floating and the increase in oil prices.

providing insight

The year 1974 brought developments in the industrial countries that were unprecedented in post-war history—developments that merit recalling because of the insights they provide with respect to the linkages between inflation and recession.

Perhaps the most striking feature of 1974 was that, despite a sizable decline in output, the rapid price increases already in process not only continued but accelerated in the second half of the year to an annual rate of more than 13 per cent for industrial countries as a group. This experience was almost wholly unexpected. Fiscal and monetary policies had been based on the expectation of a much lower increase in prices, together with a modest growth in real GNP; the acceleration of price increases that actually took place made a fall in output unavoidable and led to a deepening of recession during the first half of 1975.

Another notable aspect of economic developments in 1974 was that the accelerating price movement was characterized by a steep ascent in commodity prices, continuing the prior upsurge. In terms of US dollars, world trade prices went up by more than 20 per cent from 1972 to 1973 and by almost 40 per cent from 1973 to 1974, in contrast to the virtual stability

Over to page 1151

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EXISTING AND PROPOSED ACTIVITIES

I.T.C. Limited was incorporated in India on 24th August, 1910 under the provisions of the Indian Companies Act, 1882 under the name of the Imperial Tobacco Company of India Limited and has since been carrying on business. The Company changed its name in May, 1970 to India Tobacco Company Limited and again in March, 1974 to I.T.C. LIMITED.

The Company was converted into a public company in 1954. In the same year the Company's Shares were listed on the Calcutta Stock Exchange and 10,00,000 Ordinary Shares were acquired by the Indian public. In 1970 a further issue of 37,90,000 Ordinary Shares was made bringing Indian public participation to about 25 per cent of the Equity capital of the Company. In 1974, the three major overseas Shareholders of the Company offered for sale 28,04,775 Ordinary Shares of Rs. 10/- each (fully paid up) out of their Shareholdings in the Company to the Indian public and on successful completion of this disinvestment the foreign Shareholding was reduced to 60%.

I.T.C LIMITED now comprises six divisions: INDIA TOBACCO DIVISION, ILTD DIVISION, PRINTING AND PACKAGING DIVISION, HOTELS DIVISION, FOODS DIVISION and GENERAL EXPORTS DIVISION with its head-quarters at Calcutta.

The main business of the Company, carried out by the INDIA TOBACCO DIVISION, is the manufacture and sale of cigarettes and smoking tobaccos for which five factories are operated at Monghyr, Bangalore, Saharanpur, Kidderpore and Parel. The Company has a sophisticated and extensive marketing organisation with offices at Ahmedabad, Bombay, Calcutta, Coimbatore, Delhi, Gauhati, Jabalpur, Jullundur, Kanpur, Patna, Madras and Visakhapatnam. This network enables the Company's products reach consumers in even the remotest parts of India.

The Company has taken over with effect from 1st April, 1975 the net assets in India of the Indian Leaf Tobacco Development Company Limited, UK (ILTD). The business of that Company, namely, the development of tobacco and tobacco cultivation, purchasing ann processing of tobacco and its sale for industrial use in the export and domestic markets is now being carried on by the ILTD DIVISION of the Company with main offices at Calcutta, Guntur and Mysore and leaf processing plants at Chirala and Anaparti. ILTD Division has Research Centres at Rajahmundry and Hunsur as well as Leaf Depots at various points. The ILTD operations have a large degree of synergy with that of ITC and the purchase of its net assets has strengthened the raw material base of the Company's main traditional business.

The Company is also engaged in the production of printing and packaging materials and runs two factories at Monghyr and Tiruvottiyur with marketing operations at Bombay, Calcutta and Madras. The PRINTING AND PACKAGING DIVISION meets not only the needs of ITC but also delivers a complete packaging advisory service to industrial consumers in the country.

The HOTELS DIVISION is currently engaged in the establishment of three hotels in India. Hotel CHOLA in Madras and Hotel MUGHAL in Agra have been completed and are fully operational. Construction of Hotel MAURYA at Delhi has commenced and work is in full swing to enable the hotel to come into operation in the winter of 1977.

The exports of Marine Products by ITC's FOODS DIVISION during 1975-76 reached Rs. 4.98 crores, earning valuable foreign exchange. The Company's brands of Marine Products are well established and are in good demand in overseas markets.

The Company has also entered the field of General Exports and during 1975-76 a wide range of products were exported including cigarettes garments, engineering goods, hand tools etc., through its GENERAL EXPORTS DIVISION with offices at Calcutta and Delhi In 1975, the Company was awarded a trophy by the Government of India for outstanding export performance.

During the year 1975/76 the Company's export earnings (including foreign exchange earnings of Hotels) reached Rs. 31.54 crores. The Comp is one of the largest exporters in the country and is a recognised Elig Export House.

Th Company is the promoter of Bhadrachalam Paperboards Limited wh is setting up a paper and board mill at Bhadrachalam in a backward trict of Andhra Pradesh. The Company's investment in the Equity Sha of Bhadrachalam Paperboards Limited is expected to be in the order of 3 crores.

PROFITS/PROSPECTS

The Company has paid a Dividend of 15% (subject to tax) on Ordi Shares for the year ended 31st March, 1976. The restrictions on paym of dividends by the Companies (Temporary Restrictions on Divide Act, 1974 having ceased to be operative from 6th July, 1976, there will be no bar for payment of interim dividends s in the past. The Dire are of the opinion that, subject to unforeseenable circumstances, the C pany's turnover will continue to increase, and the Company will make cient profits to pay reasonable dividends in the coming years.

SHARE CAPITAL

	Rs.
A. Authorised	
2,50,00,000 Ordinary Shares of Rs. 10/- each	25,00,00
B. Issued, subscribed and fully paid up 1,89,50,000 Ordinary Shares of Rs. 10/- each fully paid in cash	18,95 00

LOAN CAPITAL

7½% Debenture Stock 1978-83 as at 31st March, 1976	1,60,11

PRESENT OFFER FOR SALE

38,00,000 Ordinary Shares of Rs. 10/- each (fully paid up)	3,80,00

Out of the Shares offered for sale	**Face Value (Rs)**	**Issue P (Rs)**
(i) 12,70,000 Ordinary Shares of Rs. 10/- each (fully paid up) for cash at Rs. 10. 50 per Share have been reserved for offer to Financial Institutions and by private placement with General Insurance Corporation of India.	1,27,00,000	1,33 35
(ii) 15,20,000 Ordinary Shares of Rs. 10/- each (fully paid up) for cash at Rs. 10. 50 per Share have been reserved for offer to the Indian resident Shareholders of the Company whose names appeared on the Company's Register of Members at the close of business on 12th November, 1976 in the proportion of one Ordinary Share for every five Ordinary Shares held on that date (resulting fractions being ignored) on condition that any of these Ordinary Shares not taken up by them and the Shares arising out of consolidation of fractions, if any, will be availabe for meeting applications from the public.	1,52,00,000	1,59,60
(iii) 50,000 Ordinary Shares of Rs. 10/- each (fully paid up) for cash at Rs. 10. 50 per Share have been reserved for offer to the employees of the Company including its Directors.		
(iv) 50,000 Ordinary Shares of Rs. 10/- each (fully paid up) for cash at Rs. 10. 50 per Share have been reserved for offer by private placement.	5,00,000	5,25
	5,00,000	5,25
(v) Now offered for sale for cash at Rs. 10 50 per Share to the Indian Public 9,10,000 Ordinary Shares of Rs. 10/- each (fully paid up)	**91,00,000**	**95,55**
Total:	3,80,00,000	3,99,00

LLY PAID UP) AT RS. 10.50 PER SHARE BY TOBACCO MANUFACTURERS (INDIA) LIMITED,
ANS INTERNATIONAL LIMITED, ALL OF U.K.
ted 14th October, 1976 and the Controller of Capital Issues by his letter
their approval to the disinvestment by the Offerers)
lication forms from the Underwriters, Brokers and Bankers mentioned below
OF BANKING HOURS ON TUESDAY, 14TH DECEMBER, 1976 AND
, 1976, OR EARLIER AT THE DISCRETION OF THE OFFERERS BUT NOT
ON THURSDAY, 16TH DECEMBER 1976.

MITED

H AUGUST 1910 UNDER THE INDIAN COMPANIES ACT, 1882)
A HOUSE, 37 CHOWRINGHEE, CALCUTTA 700071

TERMS OF THE OFFER

The entire amount @ Rs. 10.50 per Share is payable in full on application.

OBJECTS OF THE OFFER FOR SALE

With a view to increasing Indian participation in the Share Capital of I.T.C. Limited from 40% to 60% three overseas Shareholders of the Company i.e. Tobacco Manufacturers (India) Limited of 7 Millbank, London, S.W.1, U.K., Tobacco Investments Limited of 2, Dean Stanley Street, London S.W.1, U.K. and Rothmans International Limited of Christopher Martin Road, Basildon, Essex, U.K are disinvesting a part of their respective holdings in the capita of I.T.C. Limited aggregating to 38,00,000 Ordinary Shares of Rs. 10/- each (fully paid up) to the Indian public and others in the manner and to the extent herein mentioned. They have irrevocably constituted and appointed Mr. Ajit Narain Haksar, Mr. Santanu Ray, Mr. Sorab Barjor Aibara and Mr. Raj Monani, all of 37, Chowringhee, Calcutta-700071 (jointly and/or severally) as their Attorneys for the sale thereof

The Ordinary Shares of the Company of which the Shares offered for sale from a part are listed yn the Calcutta, Bombay, Delhi, Madras, Hyderabad & Bangalore Stock Exchanges.

BOARD OF DIRECTORS

Name, address, description, occupation and other directorships

1 AJIT NARAIN HAKSAR—*Chairman*
(Son of late Iqbal Narain Haksar)
241 Raja Santosh Road
Alipore
Calcutta-700027

Company Executive

Non-Executive Chairman, Webstar Ltd.
Chairman of the Board of Governors, Indian Institute of Technology, Kharagpur.
Director, Reserve Bank of India.
Governor, Indian Institute of Management, Calcutta.
Member of the Executive Committee, Nehru Centre.
Member, Eastern Regional Committee, All India Council for Technical Education

2 SANTANU RAY—*Vice Chairman*
(Son of the late Sudhir Chandra Ray)
9 Fountain Court
7/1 Little Russell Street
Calcutta-700071

Company Executive

Chairman, Mining & Allied Machinery Corporation Limited
Member of Governing Body and Executive Committee, Indian Institute of Foreign Trade.
Assocham Representative on Executive Committee, Federation of Indian Exports Organisation.
Vice President, All India Lawn Tennis Association.
Vice President, International Lawn Tennis Club of India.
Committee Member, Bengal Chamber of Commerce & Industry.
Member, Eastern Regional Council, Industrial Development Bank of India.
Member, Customs and Central Excise Advisory Council.

3. SORAB BARJOR AIBARA —*Vice Chairman*
(Son of Barjor Behramsha Aibara)
10 Ballygunge Park Road
Calcutta-700019

Company Executive

Chairman, Coates of India Limited
Chairman, Warehousing & Cold Storage General Enterprises India Limited
Director, Fort Gloster Industries Limited
Member, Executive Committee, Calcutta Management Association.
Committee Member, Calcutta Youth Self-Employment Centre.
Council Member, All India Management Association.
Hon. Special Adviser, West Bengal Spastics Society
Member, Board of Governors, Institute of Modern Management, Calcutta,
President, Calcutta Chapter, Indian Institute of Industrial Engineering
Vice President Indian Council of Management & Future.
Member of the Court of Governors, Administrative Staff College of India.

4. PANGULURY BALARAMA KRISHNA MURTY—*Deputy Chairman*
(Son of Pangulury Sesha Thalpa Sayee)
13 Ballygunge Park Road Calcutta-700019

Company Executive

5. ABHIJIT BASU—*Director*
(Son of the late Sukumar Basu)
10 Fountain Court
7/1 Little Russell Street Calcutta-700071

Company Executive

6. SAMIR GHOSH — *Director*
(Son of the late Sukumar Ghosh)
N 126 Panch Shila Park, New Delhi

Company Executive

7. RAM KRISHNA LAKSHMAN —*Director*
(Son of the late Maj. Gen. C.K. Lakshmanan)
16 Woodlands Syndicate
8/7 Alipore, Calcutta-700027

Company Executive

8. RAJ MONANI—*Director*
(Son of M.G. Monani)
8/1 Alipore Park Road Calcutta-700027

Company Executive

Director, Bhadrachalam Paperboards Limited.
Director, Indian Leaf Tobacco Development Company Limited, U.K.

9. JAGDISH NARAIN SAPRU—*Director*
(Son of the late Trijugi Narai
Sapru)
6 Fountain Court
7/1 Little Russell Street
Calcutta-700071

Company Executive

10. RAMESH CHANDEF SARIN—*Director*
(Son of the late. A.R. Sarin)
8, Ballygunge Park Road
Calcutta-700019

Company Executive

Director Bhadrachalam Paperboards Limited
Director, Rollsprint (Packaging) Limited
Director, Coates of India Limited
Member, Governing Body,

Calcutta International School Society.

SECRETARY

NIRMAL KUMAR GHOSHAI
(Son of the late Bhupendra Nath Ghoshal)
11/1, Burdwan Road,
Calcutta-700027

BROKERS TO THE OFFER

CALCUTTA: C. MACKERTICH, 7 Lyons Range * G.M. PYNE, 14 India Exchange Place * KHANDELWAL BROS. Wardley House, 25 Swallow Lane * MURARKA BROS, 7 Lyons Range * N.L. ROY & CO, 7 Lyons Range * PLACE, SIDDONS & GOUGH (PRIVATE) LIMITED. 6 Lyons Range * STEWART & CO. 14 India Exchange Place * BRIJNATH KHANDELWAL & CO, 13 India Exchange Place * BOMBAY : BATLIVALA & KARANI, Union Bank Building, Dalal Street, Fort * BHUPENDRA CHAMPAKLAL DEVIDAS, Bhupen Chambers, Dalal Street Fort * DHIRAJLAL MAGANLAL SONS, Stock Exchange (Central) Building, Dalal Street, Fort * JAMNADAS MORARJEE & CO, 5-A Hamam Street, 1st Floor * LEWIS & JONES, Bank of Baroda Building, Apollo Street, Fort * L.K. PANDAY, Maharashtra Bank Building, 45/47 Apollo Street * NAGINDAS CHHAGANLAL, Stock Exchange Build-

Office No. 68, 3rd Floor, Bombay, Samachar Marg * **BANGALORE:** NANJAPPAIAH JAHGIRDAR, 205 Cavalry Road * **MADRAS:** TRA & CO, 322/323 Linghi Chetty Street * **PATERSON & CO,** guard House (III floor), 11/12, Second Line Beach * **NEW DELHI:** RAT BHUSHAN & CO, H-45, Connaught Place * DEWAN CHAND O, Delhi Stock Exchange Building, Asaf Ali Road * HARBANS GH MEHTA & CO, 33 Regal Building, Parliament Street * H.P. HTA & CO, Surya Kiran, III floor, Kasturba Gandhi Marg * JALAN O, Stock Exchange Building, Asaf Ali Road * J.C. MEHTA & CO. elhi Stock Exchange Building, Asaf Ali Road * RAJA RAM BHASIN O, Jeewan Mansion, 8/4 Desh Bandhu Gupta Road * SINGHANIA HOTIA & CO, 14 Delhi Stock Exchange Building, Asaf Ali Road * INDER RODE & CO, 3 Delhi Stock Exchange Building, Asaf Ali Road, INOD KUMAR & CO, A-6 Connaught Place * **AHMEDABAD** : KMINARAYAN N. GUPTA & CO, Anandji Kalyanji Building, Opp nasuthar's Pole, Relief Road * **INDORE** : PUSHKARLAL GHUDA-LA, 44 Bada Sarafa * **HYDERABAD** : P. B. AFZULPURKAR, 4-5-195 an Bazar.

DERWRITERS

the Ordinary Shares which may not be taken on rights basis will be ilable for meeting applications from the public 17,30,000 Ordinary Shares ng offered for sale to the Indian Public and being offered on the rights is to the Indian Resident Shareholders (other than financial institutions l General Insurance Corporation of India) have been fully underwritten the sale price of Rs. 10.50 per Share as follows:

me of Underwriter	**No. of Shares underwritten**	**Amount underwritten @ Rs 10.50 per Share**
		Rs.
INDLAYS BANK LIMITED	7,10,000	74,55,000
JAYA BANK LIMITED	2,00,000	21,00,000
ERCANTILE BANK LIMITED	1,90,000	19,95,000
NITED BANK OF INDIA	1,90,000	19,95,000
NITED INDUSTRIAL BANK LIMITED	1,50,000	15,75,000
MACKERTICH	10,000	1,05,000
. M. PYNE	10,000	1,05,000
HANDELWAL BROS	10,000	1,05,000
URARKA BROS	20,00	2,10,000
.L. ROY & CO	5,000	52,500
LACE, SIDDONS & GOUGH (PRIVATE) LIMITED	20,000	2,10,000
TEWART & CO	10,000	1,05,000
ATLIVALA & KARANI	5,000	52,500
HUPENDRA CHAMPAKLAL DEVIDAS	10,000	1,05,000
HIRAJLAL MAGANLAL SONS	10,000	1,05,000
AMNADAS MORARJEE & CO	10,000	1,05,000
EWIS & JONES	20,000	2,10,000
. K. PANDAY	10,000	1,05,000
AGINDAS CHHAGANLAL	10,000	1,05,000
HITRA & CO	5,000	52,500
ATERSON & CO	5,000	52,500
HARAT BHUSHAN & CO	10,000	1,05,000
EWAN CHAND & CO	10,000	1,05,000
ARBANS SINGH MEHTA & CO	10,000	1,05,000
. P. MEHTA & CO	20,000	2,10,000
ALAN & CO	10,000	1,05,000
.C. MEHTA & CO	10,000	1,05,000
RAJA RAM BHASIN & CO	10,000	1,05,000
SINGHANIA LAKHOTIA & CO	5,000	52,500
SURINDER RODE & CO	5,000	52,500
VINOD KUMAR & CO	15,000	1,57,500
M. NANJAPPAIAH JAHGIRDAR	5,000	52,500
LAXMINARAYAN N. GUPTA & CO	10,000	1,05,000
	17,30,000	181,65,000

In the opinion of the Offerers and the Directors of I.T.C. Limited, the resources of the Underwriters are sufficient to discharge their respective underwriting obligations in full.

BANKERS TO THE OFFER

STATE BANK OF INDIA Main Branch 1 Strand Road, Calcutta-700001 or their main offices at Bombay, Madras, New Delhi, Ahmedabad, Coimbatore, Bangalore, Chandigarh, Baroda, Hyderabad, Indore, Jamshedpur, Lucknow, Patna and Poona.

GRINDLAYS BANK LTD 41 Chowringhee Road, Calcutta-700071. or their main offices at Bombay, Madras, New Delhi, Amritsar Cochin, Delhi, Gauhati, Hyderabad, Kanpur, Tuticorin, Darjeeling, Simla, Srinagar and Bangalore.

MERCANTILE BANK LTD
8 Netaji Subhas Road,
Calcutta-700001
or their offices at 31 Dalhousie Square,
Calcutta-700001 and 28-16-31
Suryabagh,
Visakhapatnam-530002.

VIJAYA BANK LTD
25 Netaji Subhas Road,
Calcutta-700001
or their main offices at Guntur,
Bangalore and Bombay.

UNITED BANK OF INDIA
16 Old Court House Street
Calcutta-700001

UNITED INDUSTRIAL BANK LTD
7 Red Cross Place
(Formerly Wellesley Place)
Calcutta-700001

AUDITORS

LOVELOCK & LEWES, 4 Lyons Range, Calcutta-700001.

SOLICITORS TO THE OFFER

ORR, DIGNAM & CO., 29 Netaji Subhas Road, Calcutta-700001

REGISTRARS AND SHARE TRANSFER AGENTS

CPA CONSULTANCY SERVICES (PRIVATE) LIMITED,
11/1A Sarojini Naidu Sarani (8th Floor), (Formerly Rawdon Street)
Post Box No. 16032, Calcutta-700017

HOW TO APPLY

A. Obtain copies of offer for sale and application forms from any of the Brokers, Underwriters and Bankers mentioned above.

B. Complete and sign application form (applications must be for 50 Shares or multiples of 50). Deliver applications together with cash or cheque or draft to any Branch of the Banks mentioned above. Cheques and drafts should be drawn on Banks situated in the town where the application is submitted.

OPENING AND CLOSING DATES

Opening Date : Tuesday, 14th December, 1976

Closing Date : Tuesday, 21st December, 1976 or earlier but not earlier than Thursday, 16th December, 1976

of such prices over an extended period covering most of the 1950s and all of the 1960s. As I have already indicated, special factors played a role in this exceptional climb in world trade prices; these factors included anticipatory buying in a climate of inflationary expectations, shortages attributable to crop failures, real or threatened shortages of various industrial materials, and uncertainties regarding the future value of currencies. But it is also significant that this rapid advance in world trade prices, following sizable increases in the years 1970-72, was accommodated by a large expansion of international liquidity. Also, with the time lags involved in the effects of monetary policy, the excessive monetary expansion of 1971-72 was undoubtedly a powerful general force in the propulsion of inflationary pressures in the course of 1974.

The fact that the acceleration of price increases during 1974 centred mainly on internationally traded commodities rendered the development of recessionary influences all the more inevitable. In many countries throughout the world, import prices cannot readily be influenced by policy makers, so that the precipitous rise of foreign trade prices in 1973 and 1974 made it exceedingly difficult to control inflation and maintain economic stability. During those years, the experience of many countries demonstrated the ease with which price impulses originating in one area can be transmitted to other parts of the world through their influence on business costs, consumer prices, and wage demands.

aggravating factor

The tripling of oil prices at the beginning of 1974 aggravated this inflationary process because of its prevasive cost-raising influence. But, at the same time, it carried a potential deflationary effect through the generation of a vast current account surplus for the oil exporting countries. In the event, it would appear that, by and large, the deflationary effect of the oil price increase was not averted by autonomous and government-induced forces of expansion in 1974, as monetary and fiscal policies remained generally restrictive because of the severity of the inflation problem.

Directly or indirectly, therefore, the development of a virulent inflation must be rated as the primary cause of the recent international recession, which turned out to be the most prolonged and severe in four decades. This broad assessment, which is treated more fully in the Fund's Annual Reports for 1975 and 1976, emphasizes the importance of bringing the current inflation down to acceptable levels and of avoiding unduly expansionary policies that might lead to its continuance or resurgence—a point to which I shall return shortly.

cyclical adjustments

The economic recovery which became evident in much of the industrial world during the second half of 1975 reflected the prior shift to expansionary fiscal and monetary policies, together with the cyclical adjustment of business inventory positions and automatic correctives such as the cyclical easing of monetary conditions and the stabilizing features of modern fiscal systems. This recovery continued in the first half of 1976, when the resumption of output expansion was widespread among industrial countries. But the pace of recovery was generally moderate. By past standards, both unemployment and inflation remained exceptionally high for the early phase of a cyclical upswing and were cause for widespread serious concern.

The past several years have thus proved extremely difficult for the formulation and conduct of economic policy. The period has witnessed the development of a strong inflationary psychology, the entrenchment of inflationary expectations, the emergence of serious uncertainties, and the damaging of business and consumer confidence. As a whole series of unprecedented developments unfolded, one could not escape the feeling at times that things might be getting out of control.

But, with all the difficulties and remaining problems, sight should not be lost of certain positive developments. Most important was the avoidance of a world-wide depression, even though the recession that occurred was unexpectedly severe. This result was attributable in part to the generally good behaviour of the Fund's member countries in observing the standards of external conduct adopted at the meeting of the International Monetary Fund's Committee of Twenty in Rome during January 1974—when oil importing countries as a group were urged to accept, for the time being, the current account deficits resulting from the oil price increase and to avoid deflation, restrictions, and competitive depreciation as methods of dealing with such deficits. Also, problems of financing the current account deficits associated with the oil price increase have proved—partly because of the recession—less intractable than initially feared; investment of the surpluses of oil exporting countries in financial markets, togther with the expansion of official financing has resulted in a broadly sufficient flow of funds to the oil importing countries, although in many cases the resulting rapid increase in the debt burden may not be sustainable over a longer period. Finally, in looking at the brighter side, one would also have to say that, even though inflation remains a serious problem, considerable progress on this front has been made over the past two years.

Against this cursory review of past developments, let me now assess where we stand at the present time. In the assessment, I shall draw on the policy views that I set forth early last month in Manila, on the occasion of the Annual Meeting of the Fund's Board of Governors, and I shall also take into consideration the widely discussed indications of an unexpectedly marked slowing down of activity in some of the industrial countries.

medium-term perspective

Let me point out first that the views I expressed in Manila on economic policy in the industrial countries were focused on the objectives of policy over the medium term, that is, over the period of a few years or so. In this medium-term perspective, I suggested the adoption of an approach based on the central proposition that policies in the industrial countries should give priority to the reduction of price inflation. It is an important lesson of recent experience that nothing can be gained by attempts to combat unemployment through expansionary policies that intensify inflationary expectations. Indeed, in the current inflationary

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[illegible]

environment it would be dangerous to shade policy risks—as often happened in the latter 1960s and early 1970s—so as to extract additional output in the short term. As stated in the Fund's Annual Report, and as testified by the record of the industrial countries over the whole period since the mid-1960s, restoration of a reasonable degree of price stability will be necessary in order to establish a durable basis for better economic performance.

One major difficulty in achieving better price stability is that, primarily because of inflationary expectations, inflation can continue for a long time through cost-price interactions, even after demand pressures have disappeared. Attention should thus be given to various forms of incomes policy, which could be very useful in breaking or reducing this price-spiralling effect. But experience has shown that incomes policies may require time to develop and become effective, and that, in any event, they cannot work successfully unless demand pressures are kept or brought under control.

Therefore, I have concluded that demand management policies of the industrial countries should remain cautious and restrained over a considerable period until inflation has been brought down to acceptable levels. More specifically, I have suggested that, over the medium term, these policies should aim for an expansion of nominal GNP encompassing, along with a declining trend of inflation, a rate of economic growth not much above the estimated rate of growth in economic capacity.

a caution

Here, let me caution that the present growth of capacity cannot be assumed to be as high as it was in, say, the 1960s. It may, in fact, be considerably lower because of the effects on supply capabilities of structural shifts in relative prices and the severe slump in business investment during the recession, as well as demographic changes and various other factors. A related difficult question concerns the actual extent of available slack, apart from the rate at which capacity may be growing. These matters have to be carefully assessed in the determination of policy.

Fundamentally, the interests of the rest of the world will be well served if the industrial countries succeed in conquering inflation and finding the path to sustainable economic growth. Nevertheless, the cautiousness of demand management embodied in the approach I have just outlined may mean a slower growth of imports than would have been visualised a few years ago, and this change may have an unfavourable impact on the developing countries. In these circumstances, as I suggested at the annual meeting, the industrial countries should adopt measures to improve market access for the exports of non-oil developing countries and to expand the flow of development assistance.

I turn now to the current economic scene. The pace of recovery in the United States and other industrial countries was bound to fall off after the steep cyclical upsurge of late 1975 or early 1976, but the extent of slowdown has been greater than that expected by most observers. I would like to comment on this situation.

cyclical expansion

First, I should perhaps point out that, at the time of the annual meeting in Manila, the staff of the International Monetary Fund believed that cyclical expansion in the industrial world had become well established by mid-1976 and that it would continue at the desired moderate pace for at least a year. Along with this, inflation in the industrial countries was projected to continue at an annual rate of roughly seven per cent, with the rates for individual countries characterized by considerable disparity but, in general, still much too high to be considered acceptable. On the external side, the volume of world trade was expected to expand by rates of 10-11 per cent in 1976 and the first half of 1977, following a pronounced slump during the recession.

According to the picture at mid-year, the broad patterns of recovery in the industrial countries seemed to be developing in fairly typical fashion by reference to earlier post-war cycles. Business inventory changes had been an important element both in the latter stage of the 1974-75 downturn and in the initial phase of the upturn. Also, consumer spending had made its usual recovery more or less according to expectations. Business fixed investment was showing its customary cyclical lag behind the rise in consumer spending, but was expected to play an increasingly important role in the upswing of economic activity. Because of the inability to predict cyclical fluctuations in activity with any degree of accuracy, forecasts such as these inevitably have a substantial normative content.

unclear evidence

On the central question as to whether cyclical recovery in these countries is really weaker than previously gauged, or is merely in a "pause," the currently available evidence is not clear. One thing that does seem evident is that the recovery of business investment is slower than generally expected, perhaps because of the difficulty in restoring business confidence in a world setting still full of economic and political uncertainties, and where inflation has eroded profit margins over time and fears of further inflation are still strong. But, pending the flow of more information, it is hard to judge how long this lag in investment will last and how it will affect, and be affected by, the general trend of economic activity. Actually, while the situation varies somewhat from country to country, the various measures or indicators of economic activity that become available monthly are exhibiting generally mixed movements, often difficult to interpret.

Because of this, I feel that it would be a mistake to come to any definitive conclusions at this time about the short-term economic outlook in the industrial countries and about the need for policy changes. In this connection, I note that these countries have not, in general, introduced changes in policy during recent weeks, apparently awaiting a clarification of the picture. One exception is Japan, where the recovery has slowed quite noticeably and the government has decided to take additional fiscal measures to stimulate the economy, mainly through an acceleration of existing programmes of loans and investment; at the same time, inflation continues to be a problem of serious concern to the Japanse authorities.

Notwithstanding the signs of possible weakness in some of the indicators of domestic activity, the seven major industrial countries and a group have experienced a continuing sizable expansion in imports during 1976. The volume of their imports increased at an annual rate of some 13 per cent from early in the year to the summer months. This is a very encouraging sign. Import volume of the oil exporting countries is now estimated to increase by about 15 per cent from 1975 to 1976, and should show a further substantial rise in 1977. For the large and heterogeneous group of other primary producing countries, the aggregate volume of imports declined markedly in 1975 and has apparently risen little in 1976, despite a substantial pickup in exports. This is the usual type of cyclical development, and one would expect it to be followed by an expansion in the import demand of the primary producing countries in 1977. There will, however, be a certain constraint on import demand stemming from the priority that some members of this group have to give to adjustment of their balance of payments positions.

Because of the irregularity of short-run changes in demand and output, together with the considerable lags with which policy measures take effect, authorities of the industrial countries should be cautious about deciding to provide more stimulus to demand in the present inflationary environment. In this regard, it is particularly important not to confuse a short "pause" in recovery with underlying weakness. But if weakness in economic activity is adjudged to occur, the appropriate response, at least in part, might be the application of carefully directed measures of a specific character, rather than a simple resort to the expansion of aggregate demand.

In several of the industrial countries, economic policy in the next few years may need to place particular emphasis on the strengthening of business investment. For this may be the crucial factor in improving economic capacity, avoiding bottlenecks and renewed inflation, and achieving both sustainable, economic expansion and satisfactory levels of employment.

A general objective of policy in the industrial countries should be the promotion of confidence—for which purpose, it is necessary to reduce fears of inflation. This conclusion brings me back to my starting point. In present circumstances, the first imperative for successful economic stabilization is return to reasonable price stability.

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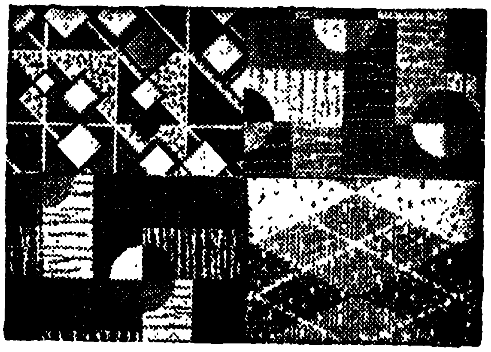

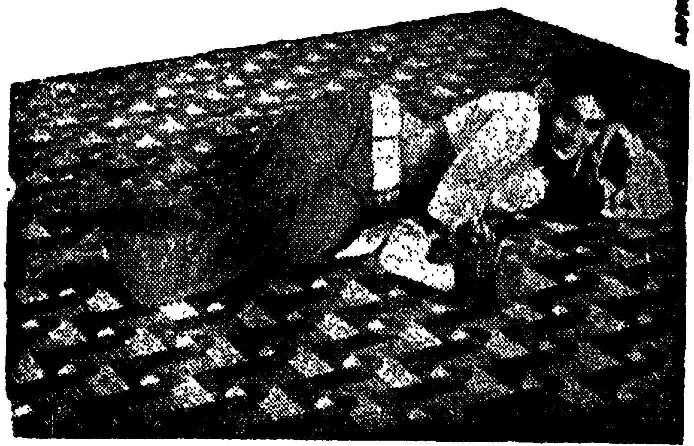

TRADE WINDS

Yen Loan

THE GOVERNMENTS of India and Japan exchanged recently notes for the debt relief loan to India for the year 1976-77 for 12.2 billion Yen, equivalent to Rs 40 crores at the current exchange rate. The notes were exchanged between Dr Manmohan Singh, secretary, department of Economic Affairs, ministry of Finance and Mr Takashi Suzuki, Ambassador of Japan to India, on behalf of their respective governments. The signing ceremony took place in the ministry of Finance. The interest rate of the debt relief loan will be 2.5 per cent and the loan will be repayable over a period of 30 years including a ten year grace period. This debt relief loan has been extended to India in response to the request made by her at the Aid India Consortium meeting held in Paris in May 1976.

Registration of Capacity

Eighteen more industries have been asked to get their production capacities regularised under the Industrial (Development and Regulation) Act. They have to indicate their export performance also within three months. According to the press note issued recently; the additional industries which are required to get their productive capacities endorsed under Section 10 of the ID & R Act are: Non-ferrous alloys: non-ferrous rolled/drawn rods/wires/sections; aluminium and brass utensils; textile auxiliaries; bolts, nuts and rivets; tin containers; agricultural implements; drums, barrels and closures; glue; leather; hurricane lanterns; rubber goods; plywood; biscuits; malted foods; chocolate; chocolate confectionery; fermentation industry—beer, potable alcohol and alcoholic beverages.

The industrial undertakings covered under the above industries and holding registration certificates under the Industries (Development and Regulation) Act are required to produce their registration certificates to the administrative ministry concerned within a period of three months from November 26, 1976, for getting their productive capacity endorsed in the registration certificates. Applications for endorsement of productive capacity in the registration certificates should contain full particulars like production achieved during the three years immediately preceding August 29, 1973, exports made during each of three years and other information required in the application form.

Increase in Tax Collections

The collection of direct taxes for the seven months from April to October 1976, has shown an impressive increase of nearly 20 per cent over the corresponding period last year. The collections this year amounted to Rs 930.61 crores as against Rs 778.24 crores, marking an increase of Rs 152.37 crores. The income tax and corporation tax went up by nearly 19 per cent from Rs 741.44 crores to Rs 880.02 crores. The collection of wealth tax recorded a spectacular increase of 42 per cent from Rs 30.08 crores to Rs 42.72 crores. The collection of gift tax went up from Rs 2.18 crores to Rs 2.67 crores and the collection of estate duty during these seven months amounted to Rs 5.20 crores as against Rs 4.54 crores.

Australian Dollar Devalued

The Australian government announced on November 28, 17.5 per cent devaluation of its currency against the American dollar as part of its efforts to check inflation. The big devaluation of the Australian dollar comes as the government is waging a war on an annual inflation rate running at over 12 per cent.

Small Savings

During the first seven months of the current financial year, from April to October, the small savings collections have recorded an increase of 10 per cent over the corresponding period last year. The net small savings collections amounted to Rs 143 crores as against Rs 130 crores marking an increase of Rs 13 crores. The gross collections at Rs 835 crores showed an improvement of Rs 100 crores. West Bengal with net collections of Rs 28 crores emerged on the top followed by Bihar with Rs 21.68 crores; Rajasthan Rs 20.98 crores; Maharashtra Rs 15.20 crores and Karnataka Rs 12.15 crores. To give further impetus to the National Savings Movement and bring about still better results, a two-day meeting of the National Savings Central Advisory Board was held at Jaipur recently. The meeting chalked out strategy t increase the collections of sma savings both in the rural an urban areas. The discussion focussed on the involvement o the self-employed persons an the Mandi committees to rais the savings collections.

Production of Ancillaries

The centre has taken a polic decision that the primary responsibility of promotin ancillary units will have to b shouldered by the large-scal industry. If persuasion fails compulsion will be introduced to achieve the end. Union minister of state for Industry Mr A.P. Sharma, told a news conference recently that the policy would be applied to both existing and new industries. Existing units would be asked to divert part of their production to the ancillary sector and go in for diversification so that there would be no retrenchment or idle capacity in their plants. In the case of new units, they would be required to specify clearly the components that would be made by the ancillary sector.

The minister said he proposed to convene a national workshop in February next year to go into the whole question of helping the ancillary units in the small-scale sector to improve their position. The public sector and the state governments would participate in the workshop. The Industry ministry is also anxious that there should be no undue delay in payments to the ancillary sector for the purchases made by the large-scale sector. Most of the public sector undertakings, the minister said, had agreed to settle the bills within 30 days. The private sector was also being persuaded to follow this norm. If necessary, the governent would impose a statutory obligation on industry to make he payments within a specified time. The ministry had also decided in principle to set up a central marketing organisation for the products of small-scale industries.

CC Session

At its 129th session held in New Delhi, early this week the Council of InternationalChamber of Commerce (ICC) decided to create an international centre for technical expertise. The creation of this centre answers a need often expressed by the parties to international contracts particularly when it covers industrial supplies and services to be able to call upon experts whose neutrality, impartiality, qualification and competence are unchallenged. Many disputes arise with regard to such contracts out of the parties' disagreement as to whether the supplies or services conform to the technical specifications made in the contract. Henceforth, international contracts can include a clause providing for recourse to the ICC's International Centre for Technical Expertise.

The Council was presented with a statement giving the businessmen's views on problems relating to the framing by the United Nations of a Code for Transnational Corporations. The ICC, which was itself the first international organisation to publish "Guidelines for international investment" (1972) believes that to be acceptable and capable of implementation a UN Code or guidelines would have to satisfy the following basic conditions: Any UN code should be voluntary. It should take into account the guidelines of the OECD and other competent organisations. There should be no discrimination between transnational and domestic enterprises, and transnational and domestic enterprises should be made subject to the same expectations wherever the code is relevant to both.

Guidelines addressed to TNCs exclusively should be limited to those aspects in which they differ from national companies so as to avoid discrimination, and such guidelines should also not distort the competitive position of TNCs vis-a-vis national companies. TNC guidelines should not discriminate between privately owned, state owned or mixed enterprises. There should be acknowledgement by governments of their responsibilities to find solutions to conflicts of jurisdiction. There should be recognition by governments of their responsibilities to treat TNCs equitably and in accordance with international law and contractual obligations or other agreements to which they have subscribed. Whatever the final form of a UN Code, governments should also take into account the fact that stability, continuity and clarity in their objectives are essential for companies to operate efficiently, whether TNCs or national companies.

Mr. V.H. Dalmia

Mr V.H. Dalmia, Director of Dalmia Cement (Bharat) Limited was chosen recently the president of the Indian National Committee of the International Chamber of Commerce.

Revival of Sick Units

In view of the vital importance of continuous monitoring of the health of industrial units as also for the revival and rehabilitation of 'sick' or closed industrial units, the National Industrial Development Corporation has built up expertise to offer consultancy services in these areas. The services offered relate to continuous monitoring of industrial units through designing and operation of management control and information systems tailored to the specific needs of a particular unit. The system is designed for a particular industrial unit after a detailed study of all relevant factors like, objectives, organisational structure, production process employed and the marketing situation of the enterprise, product acceptence, pricing policies, nature of competition and the identification of environmental and regulatory factors affecting the operations of the organisation, assessment of the quality of management and of human resources, etc. Based on these studies, the Corporation designs management control and information systems for different levels of management.

India-Jordan Co-operation

India and Jordan have agreed to devise a mechanism for ensuring the supply of Indian machinery for Jordanian development projects. Disclosing this in a joint statement issued at the end of the visit of the Crown Prince of Jordan, Mr Hassan bin Talal, and Princess Sarvath, pointed out that Jordan welcomed the prospects of co-operation with India for building up industrial units through joint ventures, particularly in the manufacture of agricultural machinery, cement and electronics. India welcomed the visit of the Crown Prince, which provided fresh impetus to exploring new avenues of co-operation in the fields of telecommunications, rural electrification and power generation. The two sides agreed to accelerate their co-operation in economic, technical and cultural fields as also in science, technology and trade. Bilateral discussions between the two sides confirmed the potential of developing considerably the present economic ties. During the visit, the two sides initialled agreements on economic and technical co-operation and on co-operation in science and technology. India also agreed to co-operate in the formulation of Jordanian national science policy. They also agreed to hold periodic consultations at an appropriate level.

Trade with Portugal

The first-ever trade agreement between India and Portugal is being finalised. Negotiations in this regard commenced recently between the two countries. The Indian delegation was led by foreign trade secretary, Mr P.C. Alexander, while the Portuguese team was headed by secretary of state for external trade, Mr Alberto Regueria. The two sides reviewed the progress of bilateral trade and discussed the proposed trade, economic, industrial and technological agreement to be concluded by the two countries. The question of setting up joint ventures in third countries also figured during the talks.

The trade dialogue with Portugal is part of India's general strategy to expand the frontier of foreign trade and add new commodities and destinations to its overseas commercial ventures. Trade with Portugal which was resumed on January 1, 1975 stood at nearly Rs 6.5 crores in 1975-76. Of this, Rs 6.25 crores represented exports while imports were of the order of Rs 24.8 lakhs.

The major commodities exported by India in 1975-76 were sugar (Rs 5.29 crores) raw jute, perfumery, cosmetics and dentifrices. Besides, small quantities of spices, synthetic and organic dyestuffs, electrical machinery and metal manufactures were also exported. Portuguese exports to India comprised wood, lumber and cork, cork manufactures and mineral manufactures.

During April to August this year, India's exports to Portugal were coir and coir products, readymade garments and small quantity of footwear. Imports from Portugal during this period were confined to cork.

Fertilizer Corporation

Improved production performance and sales turnover is being maintained by the Fertilizer Corporation of India (FCI) during the current financial year, 1976-77. During the first half (April-September) production has increased by 31 per cent over the preceding year. The actual production achieved is 200,000 tonnes in terms of nitrogen as against 168,000 tonnes during the corresponding period of 1975-76. Monthly production performance further improved in October 1976, the first month of the third quarter, in which nearly 25 per cent higher production was achieved over the monthly average for the first half of the current financial year, production figures being 42,700 as against 33,000 tonnes. Incidentally, production figure for October '76 showed a 23 per cent increase over the production of October '75. FCI's sales of fertilizers also rose to Rs 100 crores as against Rs 64 crores for the first half of 1975-76, registering an improvement of about 36 per cent. The sales of industrial products also increased by Rs 2 crores from Rs 12 crores during April-September 1975 to Rs 14 crores during the same period in the current financial year, showing an increase of about 15 per cent.

New Scheme by Syndicate Bank

New credit schemes to help poor farmers, artisans and other weaker sections have been evolved by the Syndicate Bank as part of a vigorous drive to implement the new economic programme. For instance, in Delhi, the Syndicate Bank has given loan assistance amounting to nearly Rs 19 lakhs to more than 500 persons to take up economic activities covered under the 20-point Programme. This includes an advance of Rs 6.8 lakhs to nearly 150 retail traders and Rs 4.6 lakhs to 34 consumer cooperatives and similar institutions with a view to help the supply of essential commodities to the public at fair prices. Nearly Rs 4 lakhs have been advanced to poor farmers and artisans in the Delhi region to clear their rural indebtedness and to help them to take up productive economic activities. Released bonded labourers accounted for an advance of Rs 1.4 lakhs for their rehabilitation. Other advances in this region include : Rs 54,000 for agricultural labourers and landless workers who have been allotted surplus land and house sites by the government: Rs 71,000 for small farmers to take up minor irrigation works, Rs 70,000 for single truck operators holding national permits; Rs 20,000 for the supply of essential commodities to students in hostels and sale of books and stationery articles to students at controlled prices.

Bulk Ore Carriers

The Minerals and Metals Trading Corporation has entered into a long-term arrangement with the Shipping Corporation of India for the acquisition of two bulk carriers to be used in its growing iron-ore export trade. An agreement signed on December 1 by Mr C. R. Das, chairman of MMTC, and Admiral S. M. Nanda, SCI chief, envisaged utilisation of two carriers—Jhansi Ki Rani and Kasturba—each having a capacity of 75,000 DWT on time charter basis for a period of 14 years. The chartering arrangement is in pursuance of a commercial agreement concluded by the two corporations last year. The arrangement, besides insulating MMTC from the vagaries of fluctuations in freight rates, would also help in substantially increasing the share of Indian tonnage in iron-ore trade.

Names in the News

Mr K.D. Moore was appointed chairman of the Indian Oxygen Ltd. He continues to be concurrently managing director of the company, a post he has held since 15 May this year. Mr R.C. Hesketh-Jones who had been appointed chairman in November 1975 following the death of Mr K. Hartley has resigned owing to the pressure of his other commitments. Mr Moore's first appointment with the BOC Group was from December 1950 to February 1953 with IOL in Calcutta. Mr Moore is a fellow of the Institute of Chartered Accountants (England and Wales). Prior to his appointment as Managing Director of IOL, Mr Moore was Head of Overseas Services, BOC International Limited.

BHARAT SUGAR MILLS LIMITED

NOTICE

NOTICE is hereby given that the Forty-fifth Annual General Meeting of Bharat Sugar Mills Limited will be held on Monday, the 27th December, 1976 at 3-30 P.M. at 9/1, R N. Mukherjee Road, Calcutta-1, for the following purposes :—

1. To receive and consider the Report of the Directors and to adopt the audited accounts of the Company for the year ended 30th June, 1976.
2. To declare dividends.
3. To elect Directors in place of Shri R.K. Bhuwalka, Shri N. L. Kanoria and Shri P.K. Khaitan who retire by rotation and being eligible offer themselves for re-election.
4. To appoint Auditors and fix their remuneration.

By Order of the Board,
B.N. Hamirwasia
Secretary

9/1, R.N. Mukherjee Road,
Calcutta-700001
Dated the 26th November, 1976

Notes: 1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.

2. The Register of members of the Company will remain closed from the 21st December, 1976 to the 27th December, 1976 both days inclusive.

3. Shareholders are requested to notify any change of address, failing which the dividend warrants will be posted to their addresses as with registered with the company.

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For more details, please get in touch with your nearest branch of the State Bank Group.

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COMPANY AFFAIRS

Calcutta Electric Supply Corporation

THE PERFORMANCE and prospects of Calcutta Electric Supply Corporation Ltd were reviewed by the chairman Mr Sachindra Chaudhuri while addressing the annual general meeting of the company held recently at Calcutta. The chairman disclosed that the company's licence has now been formally extended by the government up to January 1, 2000 and the company has been advised to submit a concrete proposal for a generating capacity addition of 240 MW to the union ministry of Energy for technical clearance and consideration of the means of financing this new large project. A feasibility report has been submitted to the ministry of Energy and further developments are awaited.

Customer Service

The company, within the limitation of its operational constraints, made every endeavour during 1975-76 to provide its customers—industrial, commercial, domestic and others—as much power as was possible in the circumstances prevailing. The company indeed received valuable assistance from the West Bengal State Electricity Board and the Damodar Valley Corporation in the maintenance of supply of power. Throughout the year under review the state government made a realistic appraisal of the needs of the company in giving it government's support and this has made it possible to achieve healthier working results for the year.

The gross revenue recorded a spectacular rise to Rs 62.82 crores from Rs 47.42 crores in 1974-75 while profit after providing for taxation and other statutory appropriations more than trebled to Rs 188.9 lakhs from Rs 61.3 lakhs in the preceding year. The highly encouraging working results have enabled the company to declare an equity dividend of 12 per cent for 1975-76 as against nine per cent paid in the previous year.

Rising Costs

The current year has already seen a further rise of operating costs due to the import of power, but this has been offset due to the timely action of government in giving its concurrence to a comprehensive scheme of revision of rates during the year. It is heartening to note that the government has proposed a moratorium on any further rise in the cost of imported power during the year 1977-78 and barring unforeseen circumstances, the company expects that there will be no increase of rates to consumers during that year.

Larsen & Toubro

Engineering Construction Corporation Limited (ECC), a wholly owned subsidiary of Larsen & Toubro Limited (L & T), has secured a major overseas order for the construction of the international airport terminal building at Abu Dhabi. The value of the contract is 121 million Dirhams (Rs 28 crores).

The airport building, which will have a floor area of 58,000 sq m, is designed by Aeroport de Paris, consultant for the Abu Dhabi international airport project. A Japanese joint venture of Takenaka Komuten Co Ltd and Kumagai Gumi Co Ltd secured the order for building the airport as prime contractors. ECC, who will do the civil engineering portion of the project, is acting as sub-contractor to the Japanese joint venture.

ECC has been given three months for mobilisation, and 35 months thereafter for completion of the project. ECC will do the entire civil work with its own plant and equipment, and will also supply basic materials like steel, cement, etc. Most of these materials will be shipped from India.

Indian Oxygen

At a meeting of the Board of Directors of Indian Oxygen Limited held on November 26 it was decided to recommend a dividend of 18 per cent subject to deduction of tax at the prescribed rates for the year ended September 30, 1976. The company's profit before taxation amounted to Rs 4.80 crores as against Rs 3.40 crores in the preceding year. After providing for taxation the profit for the year worked out to Rs 1.72 crores as against Rs 1.45 crores for the previous year.

The board also decided to recommend, subject to the consent of the controller of capital issues and to the approval of the Reserve Bank of India, 20,53,333 new ordinary shares of Rs 10 each be issued as fully paid up bonus shares in the proportion of one new ordinary share for every three fully paid up ordinary shares of Rs 10.

Karnataka Scooters

Karnataka Scooters Ltd will issue on December 6, 6,86,000 equity shares of Rs 10 each and two lakhs (11 per cent) cumulative redeemable preference share of Rs 10 each at par. The subscription list of the public issue will close on December 16 or earlier but not before December 8.

The company has been promoted in the joint sector by the Falcon Group of technocrats and the Karnataka State Industrial and Investment Corporation. It has set up its factory at Maddur in Mandya district of Karnataka for the manufacture of scooters.

Installed Capacity

The plant will have an installed capacity to manufacture annually 30,000 two-wheeler 150 cc scooters. Technical collaboration has been obtained from Scooters India Ltd. The plant has already been commissioned and the first batch of scooters released on October 10, 1976, by Mr T.A. Pai, union minister for Industries at a function held at Maddur. The company's products are being marketed under the brand name "Falcon 150". The company's plant has, in addition, a centralised heavy sheet metal press shop for manufacturing heavy sheet metal components for meeting the requirements of other scooter projects in the country besides its own. The centralised heavy sheet metal press shop will have an installed capacity of 80,000 sets per annum. The project cost is estimated at Rs 4.25 crores, which will be met by share capital (Rs 1.40 crores in equity and Rs 20 lakhs in preference shares), term loans (Rs 2.49 crores), state government sub-

1975-76 a wide range of products were exported including cigarettes, garments, engineering goods, hand tools, etc, through its general exports division.

During 1975-76, the company's export earnings reached Rs 31.54 crores. The company is one of the largest exporters in the country and is a recognised eligible export house.

The company has also promoted in association with the Andhra Pradesh government Bhadrachalam Paper Boards Ltd, which is setting up a paper and board mill at Bhadrachalam —a backward area of Andhra Pradesh. The company's investment in the equity shares of Bhadrachalam Paper Boards Ltd is expected to be of the order of Rs 3 crores.

The company paid an equity dividend of 15 per cent for 1975-76. The directors are of the opinion that the company's turnover will continue to increase and it will make sufficient profits to pay reasonable dividends in the coming years, as even after the above issue, the paid-up capital is being maintained at Rs 18.95 crores. With the foreign share in the equity of the company being reduced to slightly less than 40 per cent, the company has now the freedom to advance and expand faster.

Capital and Bonus Issues

Lathia Rubber Manufacturing Co Pvt Ltd, Bombay, has been accorded consent, valid for six months, to capitalise Rs 5 lakhs out of its general reserve and issue fully paid equity shares of Rs 1,000 each as bonus shares in the ratio of one bonus share for each equity share held.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Shree Synthetics	June 30, 1976	12.5	Nil
Sri Krishnarajendra Mills	March 31, 1976	8.0	2.0
Hindoostan Spg. & Wvg. Mills	March 31, 1976	8.0	Nil
Cowcoody Estates	June 30, 1976	20.0	12.0
Same Dividend			
Dawn Mills	June 30, 1976	12.0	12.0
Rajagiri Rubber	June 30, 1976	9.0	9.0
India Forge and Drop Stampings	June 30, 1976	Nil	Nil
K.C.P.	June 30, 1976	14.0	14.0
Reduced Dividend			
Supreme Industries	June 30, 1976	15.0	16.0£

£Relates to 15 months.

Licences and Letters of Intent

THE FOLLOWING licences and letters of intent were issued under the Industrial (Development and Regulation) Act 1951 during the month of October 1976. The list contains the names and addresses of the licensees, articles of manufacture, types of licences—New Undertakings (NU), New Articles (NA), Substantial Expansion (SE), Carry on Business (COB), Shifting—and Annual Installed Capacity. Details regarding licences and letters of intent revoked, cancelled or surrendered are also given.

Licences Issued

Metallurgical Industries

M/s Anand Steels & Wires (P) Ltd, 13/6 Mathura Road, Faridabad—(Faridabad—Haryana)—Wire Netting—22 M.T.—(COB)

M/s Special Steels Ltd, Mouje Magathano, Dattaparra Road, Boriveli (East), Bombay-400 066—(Thana—Maharashtra)—Stranded Wires—9600 tonnes—(COB)

Metallurgical Industries (Ferrous)

M/s Everest Forging Company Ltd, Plot No. 746, Near Chintamani Super Market, Anna Nagar P.O., Madras-600040—(Ranipet, Distt North Arcot—Tamil Nadu)—Closed die forging/alloy steel forgings—6,000 tonnes—(NU)

M/s Bombay Forgings Pvt Ltd, Wavell House, Graham Road, Bombay-400038—(Maharashtra)—Closed Die Forgings including Stainless Steel—4,000 tonnes. Closed Die Forgings (By Pour Forge Method)—6,000 tonnes. (Total capacity after expansion—16,000 tonnes)—(SE)

M/s Forshas Forgings Pvt Ltd, 207, Sant Tukaram Road, Iron Market, Garnac Bunder, Bombay-400009—(Ankleshwar, Distt Bharuch—Gujarat)—Unmachined Steel Forgings—3,000 tonnes—(NU)

M/s The Navsari Processing Industry Pvt Ltd, Near Rly. Station, Maroli (W. Rly.), Distt Bulsar, Gujarat—(Maroli, Distt Bulsar—Gujarat)—MS Black wire—1,100 tonnes (COB)

Electrical Equipments

M/s NGEF Ltd, Old Madras Road, Byappanahalli, Bangalore-560038—(Bangalore — Karnataka) — Synchronous machines upto 600 KVA compound Regulators—500 Nos. DC Machines for industrial applications inclusive of Steel mill motors and roller table motors upto 250 KW—2000 Nos—(NA)

M/s Indo American Electricals Ltd, D-146, Defence Colony, New Delhi-110003—(Durgapur—West Bengal)—Super Enamelled Winding Wires of thinner gauges 42 SWG & above—100 tonnes—(NA)

M/s Ramtronics (India) Pvt Ltd, 2820 M, Guru Nanak Auto Market, Kashmere Gate, Delhi-110006—(Ghaziabad—U.P.)—Silicon Transistors—2 Million Nos. Silicon Diodes—0.8 Million Nos Integrated Circuits—0.2 Million Nos—(NU)

Industrial Machinery

M/s Atlas Copco (India) Ltd, Mahatma Gandhi Memorial Building, Netaji Subhas Road, Bombay-400002—(Poona—Maharashtra)—(A) Aqua Rigs: Hammer—160 Nos, Rotation Unit 80 Nos,—Carrier—80 Nos, Feed Beam—80 Nos, Drill Tubes—1600 Nos, Winch—80 Nos. (B) Mechanised Drilling

Equipment : Wagon —50 Nos, Carrier—30 Nos, Screw Feed —100 Nos, Drilling Rigs—30 Nos, Drifter—180 Nos, Hydrobeam—80 Nos, Grinder—150 Nos, Feed Beam—50 Nos, Rotation Units—30 Nos, Drill Tubes—150 Nos—(NA)

M/s Texwell Pvt Ltd, 23-A Netaji Subhas Road, (8th Floor), Calcutta-700001—(Calcutta—West Bengal)—Bottom Roller for 5½" and 4¼" spg. frames—414 Pcs, Hanger Assembly for 5½" pitch Spg. frame—270 sets, Top Conductor for 5½" & 4¼" Spg. frames—52,200 Pcs, Top Pressing Roller Assembly for 5¼" pitch spg. frames—270 sets, Automatic Stop Motion Assembly for 5½" pitch spg. frames—270 sets, Idler 'V' Roller Assembly for 4¼" spg. frames—7,200 Pcs, Silver Stop Motion link & Detector for 4¼" pitch spg. frames—45,000 Pcs, Idler Roller Assembly for 5¼" pitch spg.—30,000 Pcs, Top Pressing Boss Assembly for 4¼" spg. frames—30,000 Pcs, Detector Link & Guides for 4¼" pitch spg.—30,000 Pcs, Breast Plate RH & LH, for 4¼" pitch spg.—45,000 Pcs, Intermediate Conductor—45,000 Pcs, Assembly for Bottom Conductors support plates and studs for 4¼" pitch spg. frames—30,000 Pcs, Hanger for 4¼" spg.—45,000 Pcs, Hanger Handles for 4¼" spg.—45,000 Pcs, Wharve Assemblies for 4¼" & 5½": 5½"—2400 Pcs, 4¼"—24,000 Pcs, Carriage Plate Assembly—180 sets, Pinning Bar Support Bkt.—2,418 Pcs, Back Roller Block complete with caps, half bushes and Pins—1142 Pcs, Front Deliver Spout—3,500 Pcs, Back Delivery Spout—3,500 Pcs, Silver Traps—3,500 Pcs, Delivery Conductor Chutes—4,000 Pcs, Automatic Front Conductor—7,250 Pcs, Faller Bars—30,360 Pcs, Front Revolving Rubber complete—360 Pcs, Delivery Pressing Roller Housing—900 sets, Coiler Reversing motion—900 sets, High density Can Packers—1,080 sets, Silver Plates—900 sets, Detector & Link Units for Auto Silver Stop Motion—49,744 Pcs, Dead Spindles for 4¼" pitch spg. frames—32,000 Pcs, Dead Spindles for 5½" Spg. frames—6,000 Pcs, Dead Spindles for Apron draft spg. frames—3,000 Pcs, Top Roller for 4¼" pitch spg. frames—120 sets, Mid Draft Rollers for 4¼" spg. frames—120 sets, Spindle Driving Cylinders—120 Pcs, Faller Slides 9,676 Pcs, Faller Driving Screws—7,590 Pcs, Screw Cams—11,675 Pcs, Screw Pinions—10,842 Pcs, Delivery Roller Bosses—3,600 Pcs, Delivery Pressing Roller Bosses—3,600 Pcs, Faller Track for Mackhigh 1st drg.-frame—90 sets—(NA)

Industrial Machinery (other items of Industrial Machinery)

M/s Walchandnagar Industries Ltd, P.O. Walchandnagar, Distt Poona—(Walchandnagar, Distt Poona—Maharashtra)—Industrial Gears—From 16 sets approx 2560 tonnes in weight to 3160 tonnes (after expansion)—(SE)

Agricultural Machinery

M/s Gupta Iron & Brass Works Ltd, 29, Najafgarh Road, New Delhi-15—(Delhi)—Agricultural Implements—2250 tonnes—(COB)

M/s Basant Udyog, 29-A, Sir Hariram Goenka Street, Calcutta-7—(Distt Hooghly—W.B.)—Agricultural Implements viz. Ghamellas, Parhalas, Shovals, Kodali etc—2000 tonnes (Provisional)—(COB)

M/s Banwarilal Purshotamdass, 29, Banstolla Street, Calcutta-7—(Faridabad—Haryana)—Agricultural Implements, viz. Ghamellas, Ridgings, Shovels, Kodalis etc—450 tonnes—(COB)

M/s Northern India Iron Press Works, Industrial Area, Aishbagh, Lucknow—(Lucknow—U.P.)—Agricultural Implements, viz. Persian wheel buckets & wheels channels, Thrashers & discs, Pharowah, Belcha, Ghamella, Plough Blades etc—380 tonnes—(COB)

M/s Gobindo Sheet Metal Works & Foundry, 210 Mahatama Gandhi Road, Calcutta-7—(Calcutta-West Bengal)—Agricultural Implements, viz. Kodali, Pick Axe, Spade, Ghamellas, Watering Cans etc—920 tonnes—(COB)

Miscellaneous Mechanical and Engineering Industries

M/s Finolex Plastics (P) Ltd, 26/3, Bombay Poona Road, Pimpri, Poona-411018—(Poona—Maharashtra—PVC Films—51 tonnes. PVC Fittings—2 tonnes—(COB)

M/s Diamond Dies Mfg. Corpn. Ltd, 228, 1st Floor, Chickpet, Bangalore-560053—(Mysore—Karnataka)—Wire Drawing Diamond Dies—From 5000 Nos (existing) to 20,000 Nos (after expansion)—(SE)

Industrial Instruments

M/s Power Build Pvt Ltd, Post Box No 28, Vallabh Vidyanagar (388/20) Gujarat (Vallabh Vidyanagar—Gujarat)—Automatic Weighing and Bag filling units—100 units—(NU)

Chemicals (other than Fertilizers)

M/s Hindustan Lever Ltd, Hindustan Lever House, Backbay Reclamation, Bombay-1 BR—(Haldia, Distt Midnapore—West Bengal)—Sodium Tripolyphosphate—30,000 tonnes. Sulphuric Acid—54,000 tonnes (for captive use only in the manufacture of STPP). Phosphoric Acid 19,500 tonnes (for captive use only in the manufacture of STPP)—(NU)

M/s Bihar Air Products Ltd, Avtar Bldg, Bistupur, Jamshedpur-881001—(Jamshedpur—Bihar)—Oxygen Gas 1.008 MCM Dissolved Acetylene Gas—0.36 MCM—(NU)

M/s Atul Products Ltd, Atul, W. Rly., Distt Bulsar—(Atul, Distt Bulsar—Gujarat)—Caustic Soda—From 8,400 tonnes (existing) to 18,900 tonnes (after expansion), Liquid Chlorine (bye product)—From 7,425 tonnes to 12,925 tonnes. Hydrochloric Acid (32%)—From 11,400 tonnes to 11,400 tonnes—(SE)

M/s Southern Industrial Polymers (Pvt) Ltd, 50, 1st Main Road, Raja Annamalipuram, Madras-600028—(Ranipet, Distt North Arcot—Tamil Nadu)—Di-Glycidal Ethers of Bis-Phenol and Resins thereof—300 tonnes—(NU)

M/s Phosphorus and Chemicals Travancore Ltd, Saraf House, 45/137, 2nd Main Road, Willindon Island, Cochin-682003—(Alleppey District—Kerala)—White Phosphorous—2,500 tonnes—(NU)

M/s Baroda Oxygen Ltd, C/o Karjan Surgical Cotton & Dressings Pvt Ltd, 6-D, Ambalal Doshi Marg (Hamam St.), Raja Bahadur Compound, Fort, Bombay-400023—(Ankleshwar—Gujarat)—Oxygen Gas—1.00 MCM Dissolved Acetylene Gas—0.20 MCM (NU)

M/s Albright Morarji and Pandit Ltd, Raj Mahal, 3rd Floor, 84, Veer Nariman Road, Bombay-20—(Tehsil Roha, Distt Kolaba—Maharashtra)—Sulphuric Acid—45,000 tonnes for captive use—(NA)

M/s Greaves Foseco Ltd, Jolly Bhavan No. 2, New Marine

Lines, Bombay-400020--(Calcutta—West Bengal)—Foundry Fluxes—500 tonnes. Foundry Chemicals—4500 tonnes–(COB)

Drugs & Pharmaceuticals

M/s Cadila Laboratories, Maninagar, Ahmedabad-380008—Ahmedabad –Gujarat) Tablets 986 lakhs Nos. Liquids—317.20 thousand Litres. Capsules—135.28 lakhs Nos. Granules & Dry Syrup—17075 Kgs. Ointments - 4960 Kgs. Injections—122.25 thousand litres—(COB)

M/s Sterling Drugs (India) Pvt Ltd, Post Box No. 65, Panjim Goa (Goa)—Levophed - 8 Kgs. Phenylephrine - 50 Kgs. Glycobiarsol—2.5 tonnes. Sodium Polyhydroxy Aluminium Monocarbonate Hexatol complex—20 tonnes. Naldixic acid —2.5 tonnes - (NU)

M/s Suneeta Laboratories Pvt Ltd, 502, Arun Chambers, J. Dadajee Road, Bombay-400034—(Indore—M.P.) - Chloroquine Di-Phosphate 54 M.T. (after expansion). Paracetamol - 48 M.T. Chloroquine Sulphate 12 M.T. (SE/NA)

M/s Raptakos, Brett & Co Ltd, 47, Dr Annie Besant Road, Worli, Bombay-400025 (Maharashtra) - Nitrofurantoin (Crystalline) 2 tonnes. Metronidazole –2 tonnes. Phenyl Butazone - 10 tonnes –(NA)

Textiles

M/s H.P. Industries, (Prop M/s Tin Containers & Printers (P) Ltd), 3711/14, Netaji Subhash Marg, Daryaganj, Delhi-6—(Rewari - Haryana)—Shoddy Yarn 600 spindles (NU)

M/s Modi Spg. and Weaving Mills Co Ltd, Modinagar —(Modinagar UP) - Cotton Terry Towels—150 Terry Towel looms—(SE)

M/s The Arvind Mills Ltd, Railwaypura Post, Naroda Road, Ahmedabad-2 –(Ahmedabad Gujarat)--Cotton Yarn—2314 spindles (existing) & 96,274 spindles (after expansion) - (SE)

M/s Coronation Spinning India, Dadri, Distt Bulandshahar (UP) (Dadri Distt Bulandshahar UP)–Shoddy Yarn 600 spindles (NU)

M/s Bhiwani Textile Mills, PO Birla Colony, Bhiwani (Haryana) (Bhiwani Haryana)—Cotton Yarn—25,000 spindles (after expansion) - (SE)

M/s Shree Synthetics Ltd, Naulakhi, Maksi Road, Distt Ujjain (MP) - (Distt Ujjain MP) -From 1080 (including 360 tonnes) per annum of Polyester Filament Yarn within the overall capacity of 1080 tonnes of Nylon Filament Yarn to 2100 tonnes (including 360 tones) per annum of Polyester Filament Yarn – (SE)

M/s Shree Digvijaya Woollen Mills Ltd, Aerodrome Road, Jamnagar-3. (Gujarat) (Jamnagar Gujarat)—Wool Tops (Combed wool) 1.0 million lbs—(NA)

M/s Mukerian Papers Ltd, S.C.O 54, 55, 56, Sector 17-A, Post Box No. 81, Chandigarh-160017 (Distt Hoshiarpur Punjab) MF & MG Varieties of Papers, i.e. Printing, Writing, Packing and Wrapping Paper –9,000 tonnes—(NU)

M/s Sehgal Papers Ltd, B-4/4, Safdarjang Enclave, New Delhi—(Tehsil Rewari, Distt Mohendragarh —Haryana) Printing and Writing Paper—9,000 tonnes –(NU)

M/s Reliance International Corpn Pvt Ltd, 4/2-B, Asaf Ali Road, New Delhi-110001--(Rewari Haryana)—Paper and Paper Boards—10,000 tonnes—(NU)

M/s Caprihans (India) Ltd, Block 'D' Shivsagar Estate, Dr Annie Besant Road, Worli, Bombay—(Maharashtra)—Base Paper for surface coating—Absorbent Kraft for Decorative Laminates etc—(NA)

Sugar

M/s Maroli Vibhag Khand Udyog Sahakari Mandli Ltd, Maroli, Distt Bulsar (Gujarat)—(Maroli, Distt Bulsar Gujarat) —Sugar—1,250 tonnes of cane crushing capacity per day—(NU)

Vegetable Oils & Vanaspati

M/s Hyderabad Vanaspati Ltd, 5-9-270, John's Lane, Gun Foundry, Hyderabad-500001 (AP)—(Hyderabad—AP) - Cottonseed Oil and minor seed oil in terms of cotton seed/minor oil seed 40,000 tonnes–(NA)

Rubber Goods

M/s Andrew Yule & Co Ltd, Yule House, 8, Clive Road, Calcutta-700001 (Kalyani, Distt Nadia, West Bengal) Conveyor Belting—1,900 tonnes. Fan and V. Belts—12 Lakh Nos—(NU)

M/s Dunlop India Ltd, Dunlop House, 57, Mirza (Ghalib Stt, Calcutta-700016—(Sahaganj, Hoogly– West Bengal)—Large Solid tyres and rubberising of wheels, bogie wheels and rollers -From 12,000 Nos. (existing) to 25,500 Nos. (after expansion) – (SE)

Letters of Intent

Metallurgical Industries (Ferrous)

M/s Visvasvaraya Iron & Steel Ltd, Bhadravati (Karnataka) (Bhadravati—Karnataka)– Ferro Titanium—100 tonnes. Ferro Boron 20 tonnes. (within the overall licensed capacity granted under industrial licence No L/1-A (2)/N-1/58 dated 25.2.1958 -(NA)

Electrical Equipment

M/s Director, Government Electric Factory, Mysore Road, Bangalore-560026 (Bangalore—Karnataka)– HV Instrument Transformers (72 KV to 420 KV) –600 Nos (NA)

M/s The National Radio & Electronics Co Ltd, Mahakali Road, Chakala, Andheri (East), Bombay-400093 (Bombay–Maharashtra)—Alphanumeric Display Terminals – 90 nos Graphic Display—10 Nos—(NA)

M/s Wandleside National Conductors Ltd, Industrial Estate, Lal Baug, Bombay-400012 (Poona– Maharashtra)—Teflon Wires—2,500 Kms - (NA)

Industrial Machinery

Shri Arvind Kumar Goyal, 38, Strotten Muthiah Mudali Street, Madras-1 –(Madras—Tamil Nadu)—Roller Flour Mill Machinery including roller mill, plansifter, purifier, complete cleaning section, transporting and transmission section etc—6 plants of 100 M. tonnes each—(NU)

Industrial Machinery (Major items of specialised equipment used in specific industries)

M/s Raj Mechanical Industries, 410, Industrial Area 'A'

Ludhiana-141003 (Punjab)—(Ludhiana Punjab)—Fine and Superfine Gauge Jacquard Machine—32 Nos—(NU)

Industrial Machinery (General items of machinery used in several industries)

M/s K.S.B. Pumps Ltd, Bombay-Poona Road Pimpri, Poona-411 018 (Haveli, Distt Poona—Maharashtra)—Primary coolant pumps, Moderator Pump, Primary system feed pump, Secondary System feed pump, Booster pump, Standby coolant pump, Main Boiler Feed pump, Emergency Boiler Feed Pump, Main condensate Extraction pump—50 nos within the existing Capacity of 75000 nos of pump—(SE)

Misc. Mechanical & Engg. Industries

M/s Dagger Forst Tools Ltd, First Pokhran Road, Thana-400606 (Maharashtra)—(Aurangabad—Maharashtra)—In Tungsten Carbide Drills Centre drills and reamers all in size 0.2 mm dia to 1 mm dia 7,00,000 Nos. in high speed steel-drills centre drills and reamers of 0.2 mm dia to 1 mm dia—1,00,000 Nos—(NA)

Chemicals (other than Fertilizers)

M/s Newera Plasteel (Pvt) Ltd, H.N. 2175, Sector 22-C, Chandigarh (Kharar, Distt Ropar Punjab)—Steel Reinforced PVC Products required for manufacturing doors, shop fronts, partitions etc—500 tonnes of PVC—(NU)

M/s Atul Drug House Ltd Baldota Bhavan, 6th Floor, 117, Maharshi Karve Marg, Opp. Churchgate Station, Bombay 400020—(Aurangabad/Ratnagiri Maharashtra)—Fatty Alcohols—2,000 tonnes—(NA)

M/s Coromandal Fertilizers Ltd, 126, Sarojini Devi Rd, Secunderabad-500003 (AP)—(Visakhapatnam—AP) Argon Gas from purge gases of existing Ammonia Plant 1 million cubic meters—(NA)

Drugs and Pharmaceuticals

M/s Goenka & Co, 55, Canning Street, B Block, 3rd Floor, Calcutta-700001 (Udaipur—Rajasthan) Vitamin 'C' and its salts 165 tonnes—(NU)

M/s Smith Stanistreet & Co Ltd, 18, Convent Road, Calcutta—700014—(Calcutta—West Bengal)—Chloroquin 250 mg.—40.0 M. Nos Methyl Dopa B.P.—U.S.P. 250 mg 10.0 M. Nos Frusemide B.P. 40 mg. 12.0 M. Nos. Cobastan-6 (B1, B6, B12) & Niacinamide)—10.0 M. Nos. Cobastan 6 Forte (B1, B6, B12)—10.0 M Nos. Capsules: Indomethacin B.P. 25 mg. 10.0 M. Nos—(NA)

Change in the Names of Owners or Undertakings

(Information pertians to particular licences only)

From M/s Tamil Nadu Industrial Development Corporation Ltd to M/s Tamil Nadu Cements Corporation Ltd

From M/s J.M.A. Industries Private Limited to M/s J.M.A. Industries Limited

From M/s Cocoa Products and Beverages Pvt Ltd, Madras to M/s Cocoa Products and Beverages Ltd, Madras

From M/s Anchor Pressing Pvt Ltd, Aligarh (UP) to M/s Tiger Hardware & Tools Ltd, Aligarh (UP)

From M/s Lakshmi Ring Travellers (Coimbatore) Pvt Ltd to M/s Lakshmi Ring Travellers (Coimbatore) Ltd

From M/s Partap Gases and Chemicals Private Ltd to M/s Partap Gases and Chemicals Ltd

From M/s Textile Machinery Corporation Limited, Calcutta to M/s Texmaco Limited

From Shri B.K. Gupta, 802, Joshi Road, New Delhi-110005 to M/s Instant Batteries Ltd

From M/s E.I.D. Parry Limited to M/s E.I.D. Parry (India) Limited

Licences Revoked, lapsed, etc.

(Information pertians to particular licences only)

M/s Excel Industries Ltd 184-17, Swami Vivekananda Road, Jogeshwari, Bombay-400060—300 T.P.A. of Ziram and 300 T.P.A. of Ferbam (Pesticides) (Cancelled)

M/s Bombay Forgings Pvt Ltd, Wavell House, Graham Road, Bombay-400 038—Propeller Shafts, Universal Joint Cross Assembly & Rear Axle Shafts—(Cancelled)

M/s Consolidated Pneumatic Tool Co (India) Ltd, 301-302, Lal Bahadur Shastri Marg, Mulund, Bombay-400 080 Industrial and Railway Jacks—(Cancelled)

M/s Telesound India Ltd, New Delhi-49 Radio Receivers—(Cancelled)

M/s Lite Metal Industries, P.B. No. 52, Visakhapatnam-1—(AP—South India)—Tin Containers—(Cancelled)

M/s Luna Tube Pvt Ltd, 1830, Near Zakaria Masjid, Relief Road, Ahmedabad-380 001 Steel Pipes and Tubes—(Cancelled)

M/s Teleseund India Ltd, G-4 N.D.S.E-I, New Delhi-49—Carbon Composition Resistors and Ceramic Capacitors

M/s Transport Corporation of India Ltd, P-4, New C.I.T. Road, Calcutta-12 Pulp—(Revoked)

M/s Harbans Lal Malhotra & Sons (P) Ltd, 226/2, Acharya Jagdish Chandra Bose Road, Calcutta-20—Finished Cutting Knives (Machine worked) (Revoked)

M/s Precision Fasteners Limited, New India Centre, 17, Cooperage Road, Bombay-400039 High Tensile Self-Locking Nuts—(Cancelled)

Letters of Intent Lapsed, Surrendered etc.

(Information pertains to particular letters of intent only)

Shri B.N. Bhaskar, P.O. Ishwar Nagar, New Delhi-Ceramic Machinery—(Cancelled)

M/s The Indo-Burma Petroleum Co Ltd, Hindustan Times House, 18-20, Kasturba Gandhi Marg, New Delhi—Synthetic Detergents—(Cancelled)

M/s U.P. Scooters Ltd, 79/10, Latouche Road, Kanpur—Three-Wheeler Scooters—(Lapsed)

Shri P. Sharan Gupta, M/s Auto Lamps Ltd, P.B. No. 1741, 6-Alipur Road, New Delhi Halogen Lamps—(Lapsed)

M/s Shah Oxygen, 64, New Bardan Lane, Bombay-400 003—Industrial Gases—(Lapsed)

M/s Vaishali Papers Ltd, AI/162, Safdarjang Enclave, New Delhi—Paper—(Lapsed)

Shri Satya Prakash, Flat No. 1, Yashwant Place, Chanakyapuri, New Delhi-110021—Printing, Writing & Wrapping Paper—(Lapsed)

M/s Assam Industrial Development Corpn Ltd, Kannachal Road, Silpukhuri, Gauhati-3—Mild Steel and High & Low Carbon Steel Billets—(Lapsed)

Shri M.K. Gupta, 36/1, Punjabi Bagh, New Delhi-110026—Potassium Chlorate—(Lapsed)

The Rajasthan State Ind. & Mineral Dev. Corpn. Ltd, 100, Jawaharlal Nehru Marg, Jaipur—Aluminium Fluoride and Synthetic Cryolite—(Cancelled)

M/s Saru Smelting Pvt Ltd, Saru Nagar, Saradhana Road, Meerut—Beryllium Copper Alloys, Wires, Rods and Flats—(Lapsed)

Shri R. Ramachandran, Project Manager, KENCOS Ltd, Adoor, Quilon (Distt), Kerala State—Silver Mica Capacitors and Miniature Potentiometers (Lapsed)

M/s Amalgamations Repco Ltd, GNT Road, Madhawaram, Madras—Clutch Driven Plates (Cancelled)

M/s Vedi Steel & Alloys Ltd, 11-B-20, Lajpat Nagar, New Delhi-110024 Bimetal Strips—(Lapsed)

Shri B.D. Goyal, 55, S.G. Narayan Layout, Lalbagh Road, Gross, Bangalore-560027 Car Axles and Truck Axles—(Lapsed)

Shri O.M. Somany, A-26, West End, New Delhi-110022—Pistons, Piston Ring etc—(Lapsed)

Shri Ravinder Singh Sahni, 267, Joshi Road, Karol Bagh, New Delhi—Industrial Chains—(Lapsed)

Shri Vasantlal Gafurchand Mehta, Vasant Vilas, Benham Lane, Girgaum, Bombay—Carburettors—(Lapsed)

Shri Krishnakumar M. Daiya, Udhyog Nagar Sion, Bombay-400 022 Clutch Cover Assembly etc—(Lapsed)

M/s Maco Pvt Ltd, Kundam Mansion, 2A/3, Asaf Ali Road, New Delhi-110001—Pistons, Piston Rings, Cylinder Liners—(Lapsed)

Shri Hemant Kumar Hashmukhlal Shroff, Back Block, 4th Floor, Mani Bhawan, Sadashiv Lane, V.P. Road, Bombay-400 004 Carburettors for Automobiles—(Lapsed)

Shri S.P. Kedia, C/o Nitin Castings Pvt Ltd, Eastern Express Highway, Thana (Maharashtra)—Machined Automotive Castings including Cylinder Head Castings—(Lapsed)

M/s Vandana Steels & Alloys Ltd, E/2, Jhandewalan Extn, New Delhi-110055—Bimetal Strips—(Lapsed)

M/s Parikh Engineering & Body Building Co Ltd, Jamshedpur (Bihar)—Tipping Gears—(Cancelled)

M/s NGEF Ltd, Post Bag No. 3876, Bangalore-560 038—Current Transformers—(Cancelled)

M/s NGEF Ltd, Post Bag No. 3876, Bangalore-560 038—Potential Transformers—(Cancelled)

Shri S. Lall, 1/4E, Jhandewalan, Link Road, New Delhi—Wrapping & Packing Paper—(Lapsed)

Shri H.P. Mehta, 304, Surya Kiran, Kasturba Gandhi Marg, New Delhi-1—Writing & Printing Paper (Lapsed)

M/s National Tobacco Co of India Ltd, National Tobacco Bldg, 1 & 2, Old Court House Corner, Calcutta-1—Writing Printing, Wrapping and Packing Paper—(Lapsed)

M/s Bipin Industries, C-6/58, Safdarjang Development Area, New Delhi—Industrial Gases—(Lapsed)

Shri R.S. Chaudhary, B-27, Greater Kailash-I, New Delhi-110048—T.V. Cameras etc—(Cancelled)

Shri D.K. Hada, 7th Floor, Hindustan Times House, 18-20, K.B. Marg, New Delhi-110001—Packing and Wrapping Paper—(Lapsed)

Shri Nand Kishore Daga, C/o M/s Daga & Co (P) Ltd, 16, Hare Street, Calcutta-1—Wrapping & Packing Paper—(Lapsed)

Shri Shoukatrai Malhotra, K-89, Hauz Khas Enclave, New Delhi—Flanges, Rings etc—(Lapsed)

Shri D.G. Desai, 290, GIDC Complex, Makkarpura, Baroda-300009—Ball Bearing etc—(Lapsed)

M/s Traco Cable Co Ltd, XXXI/1078D, Hospital Rd Ernakulam, Cochin, Kerala—Dry Core Cables—(Lapsed)

M/s Warden & Co (India) Pvt Ltd, 340-J.J. Road, Byculla Bombay-400008—Paper Boards—(Lapsed)

Shri R.M. Shah, 30, Suresh Colony, Swami Vivekanan Road, Bombay-400 056 Micro-Motors—(Lapsed)

M/s Straw Products Ltd, Nehru House, 4. Bahadur Sha Zafar Marg, Post Box 7057, New Delhi-110002—Writing Printing Paper (including the manufacture of Pulp)—(Lapsed)

M/s Chronomatic Industries (P) Ltd, Prakash Mills Compound, Bombay 400 003—(Maharashtra)—Automobile tyre tub valves and cores etc—(Lapsed)

M/s Jaya Hind Electricals, Jaya Hind Industries Bldg Akurdi, Pune-411035—(Maharashtra—AP—Delhi)—H.T. Coil and Condensors—(Cancelled)

Shri Sarabjit Singh, G-12, N.D.S.E. Pt. II, New Delhi-11004 —(Haryana)—Transmission Timing & Industrial Chains—(Lapsed)

M/s Bralco Metal Industries Pvt Ltd, Gupta Mills Estate Darukhana, Reay Road, Bombay-400026—(Maharashtra)—Aluminium Strips—(Lapsed)

M/s Bharat Industrial Works, 70-B, Akash Deep, 26-A Barakhambha Road, New Delhi-110001—(MP)—Calcium Car bide (Lapsed)

M/s Khandesh Extractions, Oil Extraction Deptt of Th Amalgamated Electricity Co Ltd, 17-B, Horiman Circle, Fort Bombay (Maharashtra)—Cottonseed Oil—(Lapsed)

M/s Surjit Singh Sahni, W-65, Greater Kailash-I, New Delhi-110048—(Haryana)—Commutators—(Lapsed)

M/s T.D. Mital & Sons, K-43, Green Park, New Delhi-110016, (UP)—H.T. Insulators—(Lapsed)

M/s Petrocarbon & Chemicals Company, 5th Floor, Hind Family Bldg, 27, Sir R.N. Mukherjee Road, Calcutta-1, (West Bengal)—Carbon Refractories and Carbon Linings—(Lapsed)

M/s Murphy India Ltd. Eastern Express Highways, P.O. Box No. 201, Naupada, Thana-400602, Maharashtra—(Maharashtra)—Car Radios—(Revoked)

M/s Murphy India Ltd, Eastern Express Highways, P.O. Box No. 201, Naupada, Thana-400 602 Maharashtra—(Maharashtra)—Stereo Amplifiers—(Revoked)

Branch expansion programme of Indian banks abroad

THE QUESTION of expansion of branches of Indian banks in foreign countries in a planned and coordinated manner in order to derive optimum benefit for the country has been engaging the attention of the government for quite some time. The Department of Banking has suggested that the time has come to review the branch expansion programme in the light of springing of new centres of finance, change in our trade and investment pattern, size of Indian population and remittance opportunities to Indian emigrants through banking channels.

The Department of Banking would like to draw up a prospective plan for the next three years for which purpose a fresh list of centres with priority of opening of offices by Indian banks will be necessary.

Three lists are given below:

(i) The existing overseas branches of Indian Banks.
(ii) Branches/representative offices approved but not yet opened.
(iii) Proposals under consideration.

Some of the foreign branches of Indian Banks have not adopted the guidelines and the pattern and flexibility of the local banking institutions of the areas in which they operate with the result that the quality of their services and utility and also competitiveness has diminished. Steps will have to be taken to remedy this situation.

Most of these banks do not have adequate financial resources to help finance big projects and transactions. For this purpose they may tie up with some local banks with large and better financial resources.

LIST I

List of Existing Branches of Indian Banks Abroad as on 31st May 1976

S.No.	Name of country	Name of bank	Name of the centre where the bank has branches
1.	United Kingdom	Bank of India	London Manchestor- Birmingham Leicester (2) Leeds Wembly
		Bank of Baroda	London Southall Handsworth Steatham Bradford Conventry Ilford
		State Bank of India	London London-West End Southall
		Central Bank of India	London
		United Commercial Bank	London Leicester
2.	USA	State Bank of India	New York Chicago
3.	Japan	Bank of India	Tokyo Osaka
4.	Sri Lanka	State Bank of India	Colombo
		Indian Overseas Bank	Colombo
		Indian Bank	Colombo
5.	Kenya	Bank of India	Mombasa Nairobi
		Bank of Baroda	Mombasa (2) Nairobi (2) Kisumu Thika
6.	Guyana	Bank of Baroda	8 George Town New Amsterdam
7.	West Germany	State Bank of India	Frankfurt
8.	France	Bank of India	Paris
9.	Abu Dhabi	Bank of Baroda	Abu Dhabi
10.	Dubai	Bank of Baroda	Dubai Deira
11.	Hongkong	Bank of India	Hongkong
		United Commercial Bank	Hongkong Kowloon Mongkok North point
		Indian Overseas Bank	Hongkong Kowloon Gauseway Bay Mongkok (Kowloon) Kwun Tong
12.	Singapore	Bank of India	Singapore
		United Commercial Bank	Singapore (3)

S.No.	Name of country	Name of bank	Name of the centre where the bank has branches
		Indian Bank	Singapore
		Indian Overseas Bank	Singapore
13.	Fiji Islands	Bank of Baroda	Suva Lautoka Ba Labasa Nadi Singatoka (Sub-branch) Raki-Raki (Sub-branch)
14.	Mauritius	Bank of Baroda	Port Louis Curepipe Vacoas Rose Hill
15.	Thailand	*Bharat Overseas Bank Ltd.	Bangkok
16.	Bangladesh	State Bank of India	Dacca
17.	Bahamas	State Bank of India	Nassau
18.	Maldive Islands	State Bank of India	Male
19.	U.A.E.	Bank of Baroda	Sharjah
20.	Muscat	Bank of Baroda	Muttrah

*Bharat Overseas Bank Ltd. which was established on 26-10-1973 took over the branch of the Indian Overseas Bank operating in Bangkok since 1948 on 1-1-1974.

Representative Offices

1.	West Germany	State Bank of India	Frankfurt
2.	Lebanon	State Bank of India	Beirut
3.	Indonesia	Bank of India	Djakarta

LIST II

List of Branches/Representative Offices of Indian Banks Abroad for which Approval has been given but not yet opened as on 31-5-1976

S.No.	Name of country	Name of bank	Place where the branch is to be opened
1.	U.K.	State Bank of India	London Golders Green
		Bank of Baroda	Brent Kilburn
		Bank of India	Walsall (Staffordehire) Finshley (London Brough) Huddersfield London Birmingham (London)
		Punjab National Bank	London
		Syndicate Bank	London
2.	Belgium	Bank of Baroda	Brussels
3.	Mauritius	Bank of Baroda	Quatra Bornes
4.	Abu Dhabi	Bank of Baroda	Abu Dhabi (2nd Branch)
5.	Seychelles	Bank of Baroda	Seychelles
6.	USA	State Bank of India	Los Angeles (agency) San Francisco (agency)

Representative Offices

1.	USSR	State Bank of India	Moscow
2.	Philippines	State Bank of India	Manila
3.	Bangla Desh	United Bank of India	Dacca-Deffered for the time being
4.	Iran	State Bank of India	Tehran
5.	Canada	State Bank of India	Toronto
6.	Behrain	State Bank of India	Behrain

LIST III

List of Proposals of Indian Banks for Opening Branch/Representative Office Abroad under Consideration

S.No.	Name of country	Name of bank	Place where the branch is to be opened	
1.	Yemen	Bank of Baroda	Sana	Under consideration of the Bank.
2.	Surinam	Bank of Baroda	Surinam	Under consideration of the Bank.
3.	Panama	Bank of Baroda	Panama	Under consideration of the Bank.
4.	Italy	Punjab National Bank	Rome/ Florence	Punjab National Bank has agreed to consider this after London branch is opened
5.	Qatar	Bank of Baroda	Doha	Under consideration of bank.
6.	UK	Punjab & Sind Bank Ltd.	London	Under govt.'s consideration.
7.	Hongkong	Bank of India	Kowloon	(Tsim Sha Tein) Bank to sent details.
8.	Libya	Bank of India	Tripoli	Bank has been asked by RBI to explore possibility of opening a representative office there.

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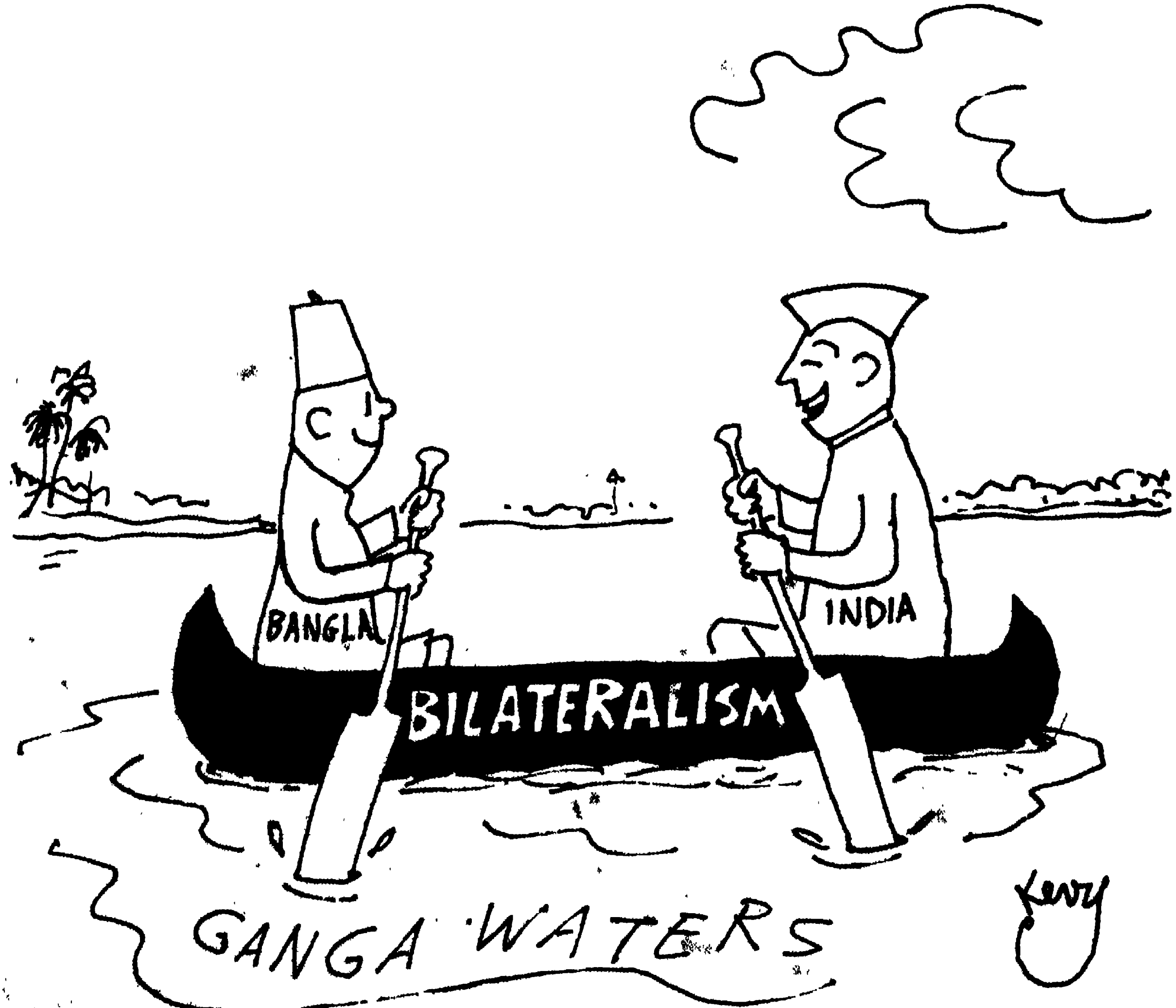

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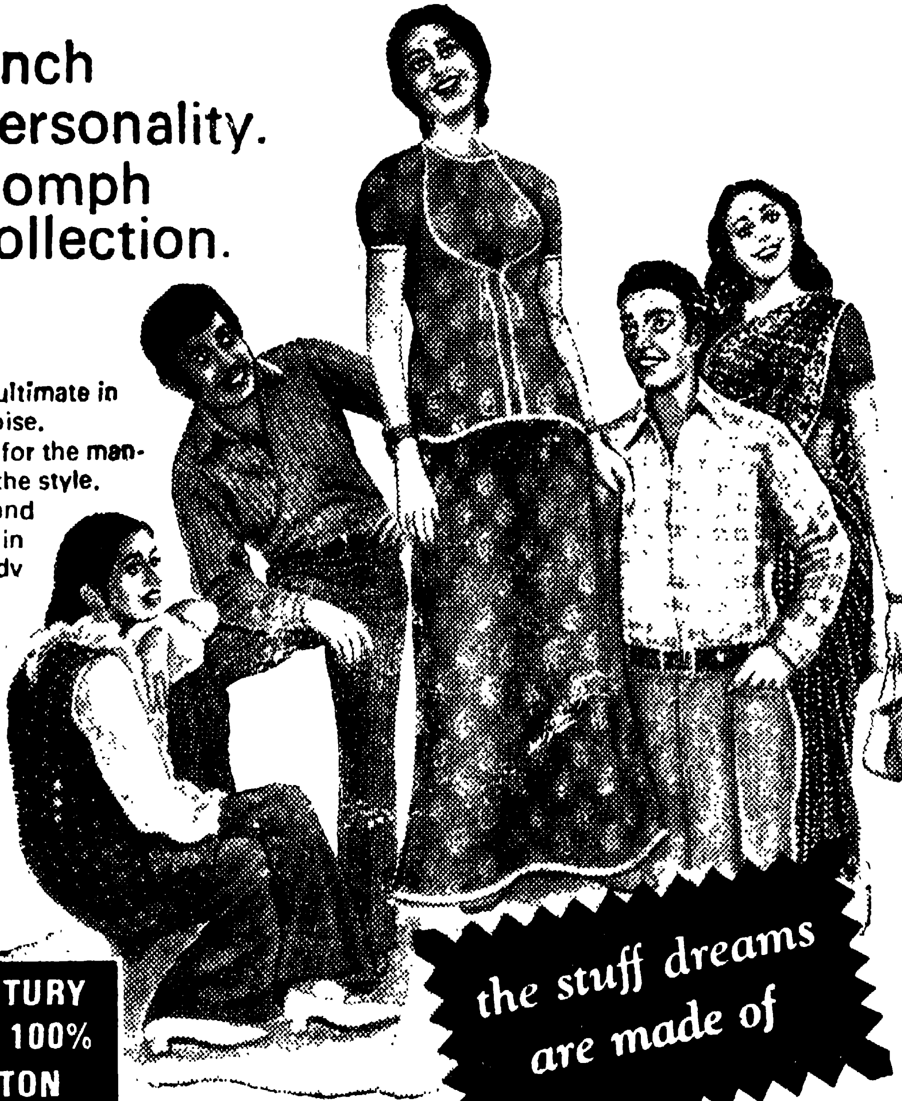

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VOL. 67 NO. 25 DEC. 17, 1976
Price Rupees Two

Leading Articles

The Debate Continues 1173
Petroleum Prices: Case for Rationalisation! 1174
Public Sector Enterprises : A Diagnosis 1175
Impact of Plan Expenditure 1176
Indo-Portuguese Economic Cooperation 1178

Capital's Corridors 1179

Point of View

Economics of High Yielding and Local Paddy Cultivation—S.N. Yadav & Shri Ram 1181
Depreciation and Ratio Analysis -Dr N K. Sharma 1183

Window on the World

Norway as an Oil Nation—Odd Nordhus 1186
Self-Reliant Growth of South Korean Economy—IMF Survey 1192

Trade Winds

Visakhapatnam Outer Harbour; Farakka Talks; Engineering Exports; G.D. Birla in Manila; Cement Expansion; Indo-Czech Joint Committee; Export of Instruments to Malaysia; Loan from West Germany; Tariff Value on Blankets; Boeing 747s for Air India; Australian Dollar Revalued; Drilling Rigs from Spain; Provident Fund Extension; Carpet-Backing Buffer Stock in US; US Secretary of State; Haryana Incentives to Industries; Leather Industry; Names in the News 1195-1199

Company Affairs

Scindia Steam; Hindustan Sanitaryware; Standard Batteries; Tribeni Tissues; Bank of Cochin; Saran Engineering; News and Notes; New Issues; Capital and Bonus Issues; Dividends 1200-1203

Company Notices 1203

Records and Statistics

Plans and Projections for Engineering Exports 1204

The debate continues

It was not in the least surprising that the statement issued at the end of the 129th session of the Council of International Chamber of Commerce (ICC), which this country had the privilege of hosting in the capital last week during the golden jubilee year of the Federation of Indian Chambers of Commerce and Industry — our premier association of industry and trade organisations — did not yield any concrete results, except the proposal for the creation of an International Centre for Technical Expertise to resolve differences among parties to an international trade and services contract. The ICC Council did devote considerable time to international economic relations since this subject formed the theme of the special seminar organised at this session and there were also thought-provoking discussions on the major issues involved, namely, the role of private investment, transfer of technology and financial resources from the developed to the developing countries and the need for having an integrated approach to the problems of trade in primary commodities. But the discussions did not proceed beyond reiteration by the representatives of the developed and the developing countries of their well-known points of view.

The approach to trade in commodities remained a baffling question. Whereas the developing countries pleaded, as they have been doing at the various international forums for several years now, for the adoption of an integrated approach to this problem so that through a reasonable relationship between the prices of primary and semi-processed materials, which form an overwhelming proportion of the exports of the developing countries, and those of finished products and capital and equipment, which these countries import from the developed nations, they could raise their export earnings and improve their balance of payments accounts, the developed countries continued to favour a commodity-wise approach which apparently would divide the ranks of the developing nations and help in containing the increases in the unit-values of raw materials for the benefit of the developed economies. The chairman of the working session on trade and commodity agreements, Mr Ian MacGregor, recognised in his concluding remarks that it was difficult to bridge the gap between the stands taken by the representatives of the developing countries, on the one hand, and those of the developed, on the other. The latter, he observed, looked at the problems involved in economic terms and the former in terms of "politics". His plea to the two parties for keeping an open mind on the matter, however, evokes optimism that sooner or later a consensus will be evolved so that confrontation between the developed and the developing nations is obviated as stressed by Mrs Indira Gandhi in her inaugural address to the meeting.

In regard to the international private investment flows, of course, the divergence of opinion between the spokesmen of the developed and the developing countries was not very significant. It was appreciated by both the sides that decisions to invest depended on the confidence that an individual had in the host country and on the rate of return he could expect on his investment, besides political and economic stability, fixation in advance of the precise conditions for disinvestment, pursuance of sound non-inflationary financial policies by the host countries, consistent and permanent legal framework, etc. The need for adequate international arbitration for investment disputes too was stressed; so also for such measures as agreements on avoidance of double taxation, no discrimination between international and domestic enterprises once the former were allowed to operate in the chosen areas by the host countries, etc. The desirability of drawing up a UN Code for the operations of multinationals was stressed by many.

It is, of course, encouraging to note that the developed nations by and large are increasingly adopting a constructive approach to tackling the problems of the developing countries. It is, however, difficult to say when this constructive approach would result in concrete action. It can only be hoped that since the issues have been debated for quite some time, early attempts will be made to reconcile the contending viewpoints in a spirit of give and take so that global development can be fostered smoothly for the benefit of all.

Petroleum prices: case for rationalisation!

Against the prospect of an increase in crude oil prices by the members of Organisation of Petroleum Exporting Countries by anything between 10 and 25 per cent in the not distant future, the recent observations of the union minister for Petroleum, Mr K.D. Malaviya, about the likelihood of a big increase in indigenous production are indeed heartening. When the draft fifth Plan was formulated, the target for crude oil production from indigenous sources was fixed at 12 million tonnes to be achieved by 1978-79. In the revised Plan published recently, this target was raised to 14.18 million tonnes. The latest announcement on the subject by Mr Malaviya puts the figure much higher at 20 million tonnes, though this output might be achieved about a year later in 1980-81. An increase of nearly 75 per cent over the earlier target has been made possible by the vastly improved opportunity for oil exploitation in the north-eastern region and the quick progress now being made in commercial production in the Bombay High area.

the problem

The mere fixation of target, however, cannot be said to have made any less difficult the problem of displacing oil imports or completing the organisational arrangements required for a more than doubling of production in six to eight years. The oil bill is now around Rs 1250 crores in respect of imports of crude and petroleum products and an increase of 10 per cent in OPEC prices will cost Rs 125 crores more in foreign exchange. There has latterly been some marginal advantage on account of the appreciation of the Indian rupee even in terms of the US dollar and the prevalence of low freight rates for the transport of oil. But the marginal advantage of two or three per cent will be tangible only if there is no increase in the quantum of imports or increase in prices. The union ministry of Petroleum has no doubt been successful so far in pegging imports of crude at 14 million tonnes and its task was facilitated to a great extent in the past two or three years with even a decline in internal consumption temporarily, and a smaller annual rise subsequently. It is, however, now expected that the government will have to prepare for a yearly growth rate of six per cent in the requirements of petroleum products. This will necessitate a rise in internal production by an average of at least one and half million tonnes. By 1980-81, or even slightly earlier, the aggregate consumption might rise to 30 million tonnes.

import requirements

It will, therefore, be clear that imports will still be required to the order of about 10 million tonnes in 1980-81 and if crude prices are raised by 15 per cent in stages as the OPEC members might do for offsetting inflation, a net reduction in foreign exchange outlay cannot be achieved even with a net displacement of imports by four million tonnes. The importance of achieving the revised target which looks a little ambitious in the light of earlier performance but not in the context of the country's growing needs cannot, therefore, be over-emphasised.

The Oil and Natural Gas Commission, of course, is seized of the importance of developing proved resources and stepping up commercial production. The Bombay High wells are already producing at the rate of 20,000 barrels daily and the rate is expected to be doubled to 40,000 barrels in the next two months and doubled again to 80,000 barrels a day by the end of 1977. If this schedule is kept up, as it is likely, the output in Bombay High alone may be around 3.5 million tonnes in 1978 on the basis of transport by tankers from fixed platforms. The output can be stepped up to four million tonnes if the submarine pipelines can be completed in the next three or four years.

The output of onshore wells too can be raised to 10.5 million tonnes by 1978 with the share of north-eastern region rising to 6.5 million tonnes from less than four million tonnes in 1974. This will give an aggregate production of 14 million tonnes, assuming that only Bombay High will be making a contribution from offshore areas, even then. In the next two years, consumption might rise to 27 million tonnes, leaving a gap of 13 million tonnes which will have to be met by imports. This will mean a reduction of only one million tonnes from the present level of imports, and the outlay in foreign exchange may be much higher if prices are raised by about 15 per cent.

pricing structure

The question, therefore, arises what will be the structure of ex-refinery prices for petroleum products and what should be the policy of the government in regard to the fixation of the prices of different end-products. It had been hoped earlier that use of cheaper indigenous oil would be helpful in preventing an increase in ex-refinery prices. But it has become necessary to increase on-shore crude prices for off-setting the heavier payments towards royalties to the oil producing states. The Bombay High crude is expected to be much costlier than on-shore crude, though much cheaper than imported crude. Even so, the weighted average of indigenous crude is not expected to be more than $6.5 per barrel. With nearly 50 per cent of imported crude, the main difficulty will, however, relate to the fixation of ex-refinery prices on the basis of a higher moving average as even on-shore crude in the north-eastern region may cost more in the coming years with the use of costlier equipment, while larger proportion of off-shore crude in total production can result in a more pronounced rise in the weighted average over a period. The government, therefore, has to take a careful decision in regard to the fixation of retail prices. Even the levy of ad valorem duties at the existing rates in several directions can impose a crushing burden on consumers as the duties on some products amount to over four times ex-refinery prices and in some other cases even several times over. It will be desirable at this stage to adopt a constructive policy as the consumption of gasolene and lube oils need not be so heavily penalised as now with the levy of heavy duties. With a six per cent growth in annual consumption, the government can hope to mobilise additionally Rs 100 crores which will mean that by the end of next five years the revenues through excise duties on petroleum products can be easily Rs 1,600/1,700 crores.

It should be the objective of the union Finance minister to reduce gradually the burden on consumers of motor spirit and lube oils by suitably lowering the excise duties. The exchequer will not be losing net revenues as there will be a growth in consumption on all heads and 50 per cent of the additional revenues can be utilised for granting concession. A rational policy in regard to the levy of excise duty will have a catalytic effect on the automobile and ancillary industries and the revenues realised as a result of larger sales of cars, scooters and motor cycles will be much more than the loss of revenues arising out of downward adjustment in excise duties on some petroleum products. There, of course, will have to be an increase in ex-refinery prices and the union ministry of Petroleum may have to effect suitable adjustments in pool prices. There is also scope for effecting economies in marketing expenses while larger revenues will be derived through the cess on crude with rise in output. The past policy of heavy excise duties on petroleum products, therefore, has to be rationalised though there is no room for complacency and the consumption of petroleum products cannot be actively encouraged.

use of electricity

The growth in the sales of ferrous oil and kerosene, however, can be slowed down significantly with greater emphasis on the use of electricity and coal. Considerable success has already attended the efforts to displace the use of furnace oil with coal and it is conservatively estimated that there can be a saving of at least one million tonnes in the next two or three years. The kerosene consumption too can be prevented from rising with extensive rural electrification and electrically driven pumpsets. With an integrated energy policy, rise in oil consumption cannot be a bogey in the coming years, especially as the improvement in indigenous production can be more than the increase in annual consumption. There, therefore, has to be massive investment in the exploitation of off-shore and on-shore oil and the goal of self-sufficiency by 1985 even in the face of rising consumption cannot be considered utopian. As the country is endowed with rich energy sources, it will be worthwhile to make the best use of coal and electricity in larger volume and encourage the use of oil for essential purposes.

Public sector enterprises: a diagnosis

THE ECONOMIC and Scientific Research Foundation has brought out a study of the performance of the public sector up to 1975. It has spelled out areas in which commercial considerations should prevail and stressed that while several public sector units suffered from under-utilisation of capacity or incorrect pricing, their long-term improvement lay in pushing upwards both labour and machine productivity and containing costs. Public sector enterprises occupy pivotal position in our economy as they are operating predominantly in the infrastructural industries which supply basic inputs to commerce and industry. The performance and growth of these enterprises, therefore, are of utmost concern for the healthy growth of the national economy.

generation of surplus

One of the reasons for a distinct slowdown in investment in the public sector after 1965-66 has been the failure of this sector to generate surpluses on the scale expected of it. The Economic and Research Foundation study notes that commercial profitability may not always be a good indicator of performance. But when a comparison between public and private sector companies manufacturing same or similar products is made at the company level, the difference in performance is difficult to explain.

In most public sector enterprises increases in costs have been noticed that bear no relation to the year-to-year revised standard costs. The study suggests that indifferent quality control of raw materials procured, substandard plant maintenance and under-utilisation of capacity, in addition to labour indiscipline—in other words, defective management — are responsible for abnormal escalation in costs.

trained manpower

Among the reasons for the public enterprises not contributing their due share to the national effort over the years, not the least important is the paucity of a professionally trained managerial personnel. In many cases persons recruited from administrative services, with very little commercial experience, manned large-scale enterprises. This was inevitable in the initial stages of industrialisation because developmental efforts could not await training facilities to be put up, which, of course, were built up along-side. Easy access to governmental funds made managements wasteful as they did not face the buffeting of the market or the financial stringency that a private sector enterprise would have faced under similar circumstances. This also contributed to the inefficient management of many public sector units.

The pricing policy in the public sector enterprises too has been lopsided and in many cases framed without due regard to cost accounting. Many public sector units had very little room for manoeuvring in respect of prices, supposedly in the public interest. This approach is short-sighted and anomalous because in the long run public interest rests in the profitability of these units which would enable them to expand as well as contribute to the exchequer. The fifth Plan docuent stresses the government's thinking on his point. It says that since the public ector has come to occupy an important nd even dominant position in some ital fields and as large amounts of rupee nd foreign exchange resources are being nvested in it, the growth performance f the economy would be increasingly onditioned by the level of efficiency btaind by this sector.

The prime minister has reiterated recently that so far as economic growth is concerned, we cannot efford to just run, we have to take leaps forward if we mean to bridge the gulf that exists between our economy and those of the advanced contries. If the public sector has to play its vital part in the growth process and also to push forward the government policy, that is, to capture the commanding heights of the national economy, and help step up investment in areas which the private sector cannot enter because of its inabilty or unwillingness, then the results should come up to expectation.

attenuating factors

It is not that there were no attenuating circumstances for the lags in the growth process of the public sector. The industries that mainly constitute this sector are heavy engineering, steel, coalmining, fertilizer and mineral industries which have long gestation periods. In the initial stages, the balance sheets have to reflect inevitable losses. In many cases, enterprises set up with foreign collaboration suffered the constraint of unfamiliarity and and lack of acclimatisation of the collaborators and equipment to Indian conditions which contributed to delays in commissioning. The country was passing through a difficult balance of payments position during most of the time under discussion and the industries requiring imported raw materials and replacements could not achieve optimum production in their absence. The Plan holiday and severe recession over a period constituted formidable challenges in the formative stages.

Considerable investment is being made in the public sector and by the turn of the century it is envisaged to be in the range of Rs 80,000 crores which is almost nine times its present size of Rs 9,000 crores. When so much investment has to be made in the national ventures, it is essential that they yield benefits in the shape of profits, reinvestment and expansion of infrastructure commensurate with investment.

Though the balance sheets and performance reports of public sector enterprises for the past year have not been collated, it is not difficult to gather that the public sector is out of the wood. The functioning of public enterprises has improved considerably in an atmosphere of purposiveness that has been pervading of late. Procedures for the selection of chief executives and general managers have been streamlined through the setting up of the Public Enterprises Selection Board and dependence on civils service is being progressively reduced. Second-line management cadres are being trained. As a consequence, many public sector units have shown spectacular results. Bhilai is working above 100 per cent capacity. Many more have reached their rated capacity. More and more enterprises are throwing up sizable profits.

The prod provided by the study conducted by the Economic and Scientific Foundation was necessary and timely: more so in the face of the need to contain inflation. One of the factors that have contributed to the abatement of inflation has been the increase in the productivity of our public enterprises. The study will help the government and the managements to pin-point the areas in which further improvements need to be effected.

Impact of Plan expenditure

IN THE annual statement issued recently to the shareholders of the Associated Cement Companies Ltd, Mr N.A. Palkhiwala, the chairman, referred to the meagre impact of Plan expenditure on the country's economy. He recalled the observation made by Mr C. Subramaniam, the union Finance minister, in his budget speech in March this year, that the Plan outlay of Rs 7,852 crores for 1976-77 represented "the highest step up in development outlays in any one year since the beginning of the era of planning in our country". Mr Palkhiwala said that "in reality, expenditure of this magnitude has not been and will not be laid out." He justified this argument with reference to the poor offtake of cement both by the public sector and the private sector. He said, "Supplies by the cement industry under the rate contract to government departments, public bodies and public sector undertakings accounted for 47 per cent of the industry's total despatches in 1974, 42.4 per cent in 1975 but only 32 per cent in the first half of 1976, while the percentage has significantly shrunk still further between July and October this year. Private demand for cement has also been almost stagnant despite the current housing shortage of over three million pucca-houses in the urban areas and the annual requirement of four million houses in the whole country."

The implications of Mr Palkhiwala's statement deserve to be carefully examined by the government and the Planning Commission. It may be argued that there is always a time-lag between the finalisation of the annual plan and its implementation. But this explanation does not seem to be convincing because Mr Palkhiwala has given data relating to the offtake of cement up to the end October, 1976. The annual plan is supposed to have come into operation from April 1 and it is not clear, therefore, why its impact on the cement industry has not been felt even six months later. Moreover, it is worth noting that in 1975-76 also, the plan outlay was substantially high as compared to the preceding year. Even then, a large number of industries especially in the engineering sector continued to complain of inadequate demand. It will be interesting to find out from other industries to what extent the demand for their products has picked up in the current financial year as a result of the 31 per cent increase in the outlay of the annual plan.

According to the revised fifth Plan, the domestic demand for cement in the terminal year i.e. 1978-79 will be 19.3

million tonnes, including the export demand of 1.5 million tonnes, the total demand for 1978-79 being estimated at 20.8 million tomes. It is stated that these figures have been worked out by the commodity balance method, taking into account the gross fixed investment in the major economic sectors such as agriculture, power, industry, transport and services. These are the sectors on which the Plan envisages substantial expenditure. In the revised fifth Plan, the outlay on agriculture and allied programmes during 1977-79 is estimated at Rs 2513.40 crores (Rs 2130.19 crores), irrigation and flood control Rs 1788.68 crores (Rs 1651.50 crores), power Rs 3780.85 crores (Rs 3513.05 crores), and industry and mining Rs 4995.25 crores (Rs 5205.35 crores)—figures in brackets indicate the revised outlay during 1974-77. Such massive expenditure is expected to give a strong stimulus to the demand for cement and various other goods. But why has Mr Palkhiwala said that expenditure of this order "will not be laid out"?

The government of India has been urging industries, especially those faced with lack of domestic demand, to sell their goods in foreign markets. The government also claims that its policies and procedures have been greatly simplified so as to make it worthwhile for manufacturers to sell their goods abroad. But the cement industry is still handicapped in its export efforts. In its financial year ended July 31, 1976, exports by the ACC amounted to 94,000 tonnes. It can export more provided the incentive is adequate. As Mr Palkhiwala said, "exports are channelised through the State Trading Corporation and the industry is not allowed to get the benefit of the higher prices which are paid under contracts overseas. There are large foreign markets for cement in Africa, Iran and the middle east countries, and both the nation and the industry would benefit vastly if greater freedom were permitted to the producers to negotiate export contracts at better prices and reap the benefit of their own efforts".

The government of India and the State Trading Corporation may be expected to consider the cement industry's plea for realism in export policy. But is it not a matter of concern that when the country is facing a severe shortage of houses, its per capita consumption of cement at 25 kg continues to be one of the lowest in world? The domestic demand for steel, coal and several essential commodities also has not shown any substantial increase in offtake and, as a result, we have to find markets for them abroad.

Mrs Gandhi, the prime minister, told the National Development Council at its recent meeting that the finalisation of the fifth Plan should act "as a morale-booster". But the Plan will have this effect only if the resources are spent in the most productive manner, resulting in more orders for industries and more income for the people. Mr P.N. Haksar, deputy chairman of the Planning Commission, recently revealed that in 1974-75 and 1975-76, the accumulated loss incurred by the commercial irrigation system as a whole was Rs 700 crores and by the electricity boards Rs 300 crores. The transport undertakings of the states, after a series of losses in the first two years, have produced—to quote Mr Haksar—"a magnificent plus factor of Rs 0.6 crores this year". An amount of Rs 500 crores has been invested in various kinds of corporations by the state governments and the return on it is minus. Thus while industries are complaining of lack of orders, huge amounts are being spent in an unproductive manner. The government of India and the state governments should see to it that the country derives the maximum benefit from the Plan expenditure.

RECORDS AND STATISTICS

A Quarterly Bulletin of "Eastern Economist" this publication surveys important developments in each quarter in the various fields of the national economy as well as in the world economy, organizes its material in convenient form and illustrates it with diagrams, graphs and charts. Its features are a business roundup, an analysis of markets and an investment supplement.

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Indo-Portuguese economic cooperation

IF THE discussions here last week between Portugal and India on trade and economic cooperation are any indication, the relations between the two countries, which got strained nearly two decades ago on account of the Goa issue particularly and Portugal's colonial rigime under Salaazar in general, should get restored to normalcy in none-too-distant a future. In fact, the cordial atmosphere in which the last week's deliberations were held should speed up the process of normalisation of relations which was started two years ago with the visit to this country of Dr Mario Soares, then a minister in the government of Portugal and now the prime minister of the country, and accelerated to some extent by the visit of an Indian trade delegation to Lisbon in February last. These visits have led to some trade between the two countries; India exporting to Portugal such items as sugar, coir and coir manufactures, raw jute, spices, seeds for perfumery and medicinal products and Portugal exporting to us cork and cork manufactures and mineral products.

long-term agreement

The last week's discussions resulted in the signing by the Portugal's secretary of state for External Affairs, Dr Antonio Celeste, and the Indian Foreign Trade secretary, Dr P.C. Alexander, of the draft of the long-term trade and economic co-orperation agreement between the two countries. The draft agreement identifies not only the items in which the two countries can trade with each other profitably but also various other areas of cooperation, including the setting up of joint vestures in the two countries as well as the third countries, cooperation between them in their trade with Latin America and the former dependencies of Portugal in Africa, etc. Further possibilities of cooperation, the draft agreement envisages, would be explored by exchange of visits by the businessmen of the two countries which will enable them to have a first-hand knowledge of the capabilities of their industrial enterprises.

The draft agreement is expected to be formalised by the two governments in about six weeks. It points out that the trade between India and Portugal can be diversified a great deal. Besides the above-mentioned current exports, India, according to the draft agreement, can supply to Portugal in fairly large quantities such items as coffee, tobacco, iron ore, sea foods (shrimps, sardines, etc) and various types of electrical and engineering goods. Portugal can export to India, besides cork and cork manufactures and mineral products, such items as specialised textile machinery, materials handling equipment, and fishing vessels.

It has been particularly noted in the draft agreement that the trade between the two countries and also India's trade with Latin America, can be fostered a great deal if a regular India-Portugal shipping service can be resumed which would obviate transhipment of cargoes at some ports other than Lisbon.

Several industries have been identified in the draft agreement for setting up joint projects in the two countries as well as in the third countries. From the Portuguese side, it is said, there are possibilities of cooperation in the fields like manufacture of nitrogenous fertilizers and antibiotics, off-shore oil exploration and supply of specialised textile machinery, know-how and equipment for fish processing and equipment for port-handling facilities. On the Indian side, the areas of possible cooperation identified are the supply of know-how for mining, process plant for the manufacture of sugar, railway engineering and equipment.

The Indian side also indicated that this country would be interested in collaborating with Portugal in oceanography and marine biology, information sciences and documentation, dam designing and construction, and machine tool research. An export mission from Portugal is expected to visit India in the near future to have detailed discussions on this collaboration

With a view to further identifying the areas of economic cooperation, the two sides have also agreed—and rightly so to designate focal points in their countries so that not only the information gap between them can be bridged but also cooperation can be better coordinated.

The necessity for identifying long-term supply arrangements from one country to another was also recognised so that the trade between them could be increased on a continuing basis. The three items in which long-term supply arrangements can be enteied in the near future obviously are iron ore, tobacco and coffee.

Eastern Economist 30 Years Ago

DEC. 20, 1946

In a remarkable ex-tempore address to the Associated Chambers of Commerce on December 16, Pandit Nehru, the Vice-President of the Interim Government, made a mild postmortem of British rule in India and the colonial economy that has stunted its growth for the last 150 years. But he looked more to the future than to the past, for a large part of his speech was devoted to how he would pilot the country through the dangerous political and economic transition through which it is passing today. It is interesting to recall here, what Gandhiji said at the time of the first abortive Simla Conference that he bequeathed to Pandit Nehru the leadership of the nation Now it is much more than that, for he is the de facto head of the State The real significance of Pandit Nehru's addressing the Associated Chambers of Commerce in place of the Viceroy is the recent change in the real leadship of the State In recognition of that change, British commercial interests organized into the Associated Chambers of Commerce broke a long tradition and instead of the Viceroy invited the Vice-President of the Executive Council to read the opening address at their annual sessions But more important than this, Pandit Nehru's address was significant of the underlying shift in the balance of power, for the Viceroy's addressing an organisation of foreign interests and using that as a forum for announcement of important changes in state policy was a recognition of the supremacy of those interests in the body politic of this country. Pandit Nehru was neither slow nor weak in pointing out that the supremacy was now over.

CAPITAL'S CORRIDORS

R. C. Ummat

Super thermal power stations • Favourable trade balance • Exports to Africa • The fertilizer scene

WITH THE sanctioning of Rs 255 crores by the union cabinet last week for the execution of the first phase of the Singrauli thermal power station in Uttar Pradesh, green signal has been given for the setting up of super thermal stations at the coal pitheads. These stations would not only obviate expensive transport of coal from the pitheads to the power stations but also help in augmenting generating capacity expeditiously as well as in ensuring balanced and optimal power development in the country.

The investment sanctioned last week will meet the expenditure of installing three generating sets of 200 MW each and a 400 KV transmission line from Singrauli to Kanpur. Ultimately, the Singrauli project will have 2,000 MW generating capacity, involving an outlay of Rs 647 crores. This investment will not include the expenditure on off-site facilities as also the investment on augmenting the transmission network, apart from putting up the 400 KV Singrauli-Kanpur transmission line.

installation programme

The first generating unit of the project is expected to be commissioned in early 1981-82. The two other units already sanctioned will be added subsequently every six months. In all, five 200 MW units and two 500 MW units will comprise the project. No firm time schedule has been drawn up as yet for the addition of the remaining 1,400 MW capacity through putting up two more 200 MW units and two 500 MW generating sets.

The power from Singrauli is to be allocated amongst the states of the northern region, but arrangements would also be made to enable power flow to the eastern and western regions. The setting up of the Singrauli complex is considered to be the cheapest means of augmenting thermal power capacity in the northern region to meet the requirements of the sixth Plan period.

World Bank aid

The go-ahead signal for the project apparently has been given on expectations of assistance from the World Bank which appraised the scheme early this year and evinced interest in financing it. A four member delegation under the leadership of the secretary, department of power, Mr Y.T. Shah, is scheduled to negotiate in the next few days in Washington a loan with the World Bank for the execution of the scheme. Besides Mr Shah, the members of the delegation are Mr D.V. Kapoor, chairman, National Thermal Power Corporation, Mr R.C. Bhargava, joint secretary, ministry of Energy, and Mr V. Nayyar, director, economic affairs, ministry of Finance. The Singrauli complex will be the first project to be taken up by the recently-constituted National Thermal Power Corporation.

In all, four super thermal power stations are envisaged to be set up in the first instance at Farakka, Korba and Neyveli/Ramagundam. It is not yet clear whether the generation capacity at Farakka, Korba and Neyveli/Ramagundam will also be planned on the same basis as at Singrauli, i.e., five units of 200 MW each and two units of 500 MW each. No firm schedule has also been drawn up as yet for the execution of the Farakka, Korba and Neyveli/Ramagundam stations.

* *

The uptrend in our exports not only continues but also appears to have got accelerated. The latest data suggest that exports during the first seven months of the current financial year at Rs 2,750.37 crores were higher by as much as 33.9 per cent compared to the Rs 2,052.63 crores exports during this period last year. Imports, on the other hand, have declined significantly. They amounted to Rs 2,675.01 crores during the seven months to October, compared to Rs 2,968.87 crores during the corresponding period last year. We, thus, had a favourable trade balance of nearly Rs 75 crores during these seven months, as against such a staggering deficit of Rs 916.24 crores during the seven months to October, 1975.

Considering the fact that the world-wide recessionary trends still continue and the growth in world trade has been slow, the 33.9 per cent increase in our exports during the first seven months of the current financial year, indeed, is very significant. It caps the growth of 18.4 per cent in our exports last year, 31.9 per cent in 1974-75, 28 per cent in 1973-74 and 22.5 per cent in 1972-73.

a caution

Encouraged by the recent trends in exports, official circles feel that the target of stepping up exports to Rs 4,500 crores during the whole of the current financial year will not only be achieved but might also be exceeded. They, however, caution that there may not be any sizeable balance of trade in our favour at the end of the year, as imports of various items, particularly edible oils, raw cotton, synthetic fibres, spare parts, equipment and various other industrial inputs have been liberalised a good deal in the recent months. There is also a big question mark in respect of the increase in the oil import bill which will follow the hike in the prices of west Asian crude with effect from January 1. A decision in this regard is expected to be taken by the OPEC this month. The increase in the prices of oil may be anywhere between 10 and 25 per cent.

Cotton textiles, engineering goods, leather and leather manufactures, marine products and spices are the major commodities which are stated to have contributed to the marked increase in our exports so far this year. In fact, the exports of engineering goods have been so encouraging that the Engineering Export Promotion Council has revised its target of Rs 500 crores exports during the current financial year to Rs 550 crores. Some significant exports of coal too have taken place this year and they hold promise of multiplying in the near future. The exports of sugar and silver, however, have shown a downward trend this year both in terms of quantity and value.

* *

Considerable thought was bestowed here last week on stepping up exports to Africa during the discussions which the representatives of the Federation of Indian Export Organisations (FIEO) held with the heads of Indian missions in the 14 countries south of the Sahara. The envoys stressed that there was tremendous potential for the export of Indian goods and services to African countries which needed to be tapped expeditiously through concerted efforts. These countries were having fairly ambitious development programmes, the requirements of which could be met by Indian exporters to a significant extent because the scale of production in Africa was such that could be catered for by Indian technology and equipment.

The FIEO representatives, under the leadership of Mr Raunaq Singh, stressed the need for drawing up a strategy that would take into account the various regional requirements on the African states in preference to the adoption of a uniform strategy. Mr Raunaq Singh felt that consultancy organisations from India as well as the Indian export houses should make an earnest bid to participate in the development plans of the African nations. The export promotion institutions, he said, should also open more offices in Africa.

Another important suggestion that was made by the FIEO representatives was that visits of African leaders and businessmen should be sponsored to India so that they could study first hand the capabilities of this country for participating in their development programmes. The need for establishing direct and personal contacts between the Indian and African businessmen was also emphasised; so also the provision of liberal credit facilities, wherever necessary, in the interest of making the package of proposals as attractive as those of the industrialised countries anxious to push up their exports to the African continent.

A very significant revelation made at the meeting by Mr K. Dalal, additional secretary in the ministry of External Affairs, was that the government was working on a plan to strengthen the country's commercial representation abroad in view of the growing needs of trade and commercial diplomacy. The strengthening of commercial representation in Africa was being accorded a high priority, along with the representation in West Asian countries which too offered considerable scope for the expansion of Indian exports.

* *

In spite of the likelihood of the domestic production of nitrogenous fertilizers going up this year by approximately 25 per cent, we may have to resume imports of this farm input on a significant scale to meet the growing requirements. Last year we produced about 1.5 million tonnes nitnrogenous fertilizers (in terms of nitrogen). The output this year is targetted to be raised to slightly over 1.9 million tonnes. The trend in production during the first seven months, however, has evoked optimism that it may go up even to two million tonnes.

The cuts in the prices of fertilizers effected last year and early this year have helped in promoting their use with the result that inventories with the manufacturing units have come down approximately to the normal levels and the glut of supplies, created by large-scale imports till last year, has been absorbed to a very great extent. Apart from the reduction in the prices of fertilizers, another helpful factor in promoting their use has been the concerted efforts made by the industry to make available fertilizers at points of easy accessability to farmers.

Some stocks, of course, are already there at the distribution level which will help in meeting the gap between the requirements of fertilizers and supplies from indigenous sources this year, but resumption of imports will obviously be necessitated in view of the fact that this year's domestic production is likely to fall short of requirements by about half a million tonnes nitrogen. The gap between the supply of and demand for phosphatic fertilizers during the current financial year is estimated around 145,000 tonnes. But this can be easily bridged not only from the existing stocks but also by stepping up the indigenous output, if necessary.

Important development

Another important development that is taking place this year on the fertilizer front is the concerted efforts being made by both the state governments and the fertilizer manufacturing units in promoting the application of fertilizers in areas where potential for such application already exists in view of the availability of water, either through adequate rainfall or provision of irrigation facilities It may be recalled that the union minister for Agriculture and Irrigation, Mr Jagjivan Ram, had addressed a communication to the state governments a few months ago identifying specifically the districts where application of fertilizers could be stepped up through vigorous efforts because of the high potential of these areas

The Fertilizer Association of India feels that the country would need another five nitrogenous fertilizer manufacturing units of 1,500 tonnes urea per day capacity, in addition to four such projects which have already been approved in principle by the government, if the requirements of this farm input are to be adequately met according to the expected growth in demand. In all, therefore, nine units will have to be set up by the end of the sixth Plan period, involving an outlay of approximately Rs 1,800 crores at present-day prices. This investment could, of course, be contained to some extent through having a mix of new projects and expansion programmes of some of the existing units. Even, then, the investment required for the fertilizer industry, it is felt, is likely to be on a scale that may not be possible to be taken up by the private sector. Most of the investment in this industry, therefore, will have to come from the public sector.

Economics of high-yielding and local paddy cultivation

S. N. Yadav and Shri Ram*

On of basis of a study of 50 farms in five villages of Nagra block in Ballia district, the authors have shown that the return on high-yielding varieties of paddy is significantly higher than that of the local variety of paddy

INDIA IS the largest paddy growing country in the world, cultivating about 30 million hectares annually which is about one-third of the total area under paddy. It is one of the major cereals in the diet of the majority of the people and also bears a large influence on their life and economic condition. In Uttar Pradesh it is grown in eastern and central parts of the state covering about 20 per cent of the total cropped area. In Ballia district paddy covers-one-third of the total cropped area. It is mainly grown in Nagra, Ratanpura, Rasra and Pandah blocks.

Possibilities of increasing land under cultivation in India are very limited but the prospects for increasing food production seem very bright indeed. The yields of local varieties are significantly lower than the yields obtained from high-yielding varieties. This gives an indication of existing potentialities for having increased production by shifting from traditional seeds to high-yielding varieties of seeds with whatever resources are available with the farmers.

the objectives

To examine the various economic aspects of high-yielding varieties of paddy, the present study was taken up with the following objectives:

1. To study the comparative economy of cultivation of high-yielding and local varieties of paddy on various sizes of farms.
2. To examine the effect of different sizes of farms on the level of input and output.

As the study was made for determining the economics of high-yielding and local paddy cultivation, one block namely, Nagra block, was selected from district Ballia purposively, as this block covers the highest area under paddy cultivation in the district. From the block, five villages, 50 farmers stratified into three categories viz 0-2, 2-4, 4 and above hectares were selected randomly in proportion probability to their numbers. The information from each selected farmer was collected by means of interview. The entire field-work was done during the year 1974-75.

POINT

OF

VIEW

It is evident from Table I that average size of holding was 2.41 hectares ranging from 1.10 hectares to 6.40 hectares in different size groups. The intensity of cropping for all the farms was 152.22 per cent. On an average, per farm capital investment was Rs 1357 on livestock, Rs 721 on farm machinary, Rs 1053 on farm building, and Rs 513 on irrigatio structure; the area under irrigation wa 78 per cent, 85 per cent and 71 per cen in the three size groups respectively.

The per hectare cost of inputs in th production of high yielding and loca varieties of paddy on the sample farm has been worked out in Table II. I shows that the average inputs for high yielding varieties of paddy and loca paddy were Rs 1460.30 and Rs 1087.17 per hectare respectively. The total input per hectare was 37.08 per cent higher on high yielding varieties of paddy than local paddy. The input cost showed a slightly increasing trend with the size of holding for high-yielding and local paddy. The cost of human labour on an average accounted for the highest percentage i.e. 33.53 per cent for HYV and 32.28 per cent for local paddy to the total cost of cultivation followed by rental value at 24.44 per cent and 28.95 per cent, bullock labour cost at 15.80 per cent and 20.49 per cent and manures and fertilizers at 12.08 per cent and 6.52 per cent. Much higher investment on manures and fertilizers, irrigation, human labour, seeds and other items were mainly responsible for greater input cost on high-yielding paddy. A

TABLE I

Economic Features of the Sample Farms

Particulars	Size groups in hectares			Av. all farms
	0 — 2	2 – 4	4 and above	
No. of holdings	25	15	10	50
Average size of holdings	1.10	2.60	6.40	2.41
Cropping intensity	150.60	165.40	136.50	152.22
Capital Investment				
(a) Draught cattle (Rs)	950 00	1500.00	2160.00	1357.00
(b) Farm machinery (Rs)	280.00	510 00	2140 00	721.00
(c) Farm building (Rs)	750 00	1260.00	2500.00	1053.00
Irrigation structure	250.00	560.00	1100.00	513.00
Percentage area under irrigation	78.00	85.00	71.00	78.70
Others	55.00	112.00	265 00	114.10
Average area under paddy	0.80	1.60	4.15	1.71
HYV	0.40	0.60	2.00	0.78
Local varieties	0.40	1.00	2.15	0.93

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TABLE II

Break-up of Input Factors Per Hectare in Different Size Groups

(Rupees)

Particulars	Size group in hectare						Average	
	0—2		2—4		4 and above			
	HYV	Local	HYV	Local	HYV	Local	HYV	Local
1. **Human labour**	460.60	340.50	485.40	355.80	496.80	350.70	489.69	350.98
	(32.28)	(32.30)	(31.54)	(30.44)	(34.65)	(32.50)	(33.53)	(32.28)
(a) Family labour	425.35	315.20	379.70	282.30	265.50	210.40	309.65	242.74
	(29.81)	(29.90)	(24.67)	(24.15)	(18.52)	(19.50)	(21.20)	(22.30)
(b) Hired labour	35.25	25.30	105.70	73.50	231.30	140.30	180.04	108.52
	(2.46)	(2.40)	(6.86)	(6.29)	(16.13)	(13.00)	(12.32)	(9.98)
2. Bullock labour	235.40	220.50	245.80	235.70	225.20	215.40	230.68	221.69
	(16.50)	(20.91)	(15.97)	(20.17)	(15.71)	(19.96)	(15.80)	(20.49)
3. Irrigation	65.30	28.40	68.50	35.60	64.25	25.70	65.24	28.79
	(4.57)	(2.70)	(4.45)	(3.04)	(4.48)	(2.38)	(4.46)	(2.65)
4. Seed	40.00	30.00	34.40	28.40	38.00	28.00	37.55	28.33
	(2.80)	(2.84)	(2.23)	(2.43)	(2.65)	(2.59)	(2.58)	(2.60)
5. Manures and fertilizers	180.70	65.00	210.60	80.00	165.40	64.00	176.48	68.61
	(12.65)	(6.16)	(13.68)	(6.84)	(11.53)	(5.95)	(12.08)	(6.32)
6. Insecticides	30.50	20.00	40.20	28.00	35.85	22.00	36.00	23.69
	(2.13)	(1.90)	(2.61)	(2.40)	(2.50)	(2.03)	(2.46)	(2.18)
7. Overhead cost	65.00	50.00	70.00	55.00	68.00	48.00	68.00	50.19
	(4.55)	(4.74)	(4.54)	(4.70)	(4.74)	(4.45)	(4.65)	(4.62)
8. Rental value	350.00	300.00	380.00	350.00	340.00	325.00	356.66	314.61
	(24.51)	(28.45)	(24.69)	(29.96)	(23.72)	(30.14)	(24.44)	(28.95)
Total	1427.50	1054.40	1538.90	1168.50	1433.40	1078.80	1460.30	1087.17
Percentage	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)

Note: Figures in brackets show the percentage to total.

TABLE III

Yield, Value of Input, Output, Net Income Per Hectare and Input-Output Ratio

Particulars		Yield in quintal		Gross value of output (in Rs)	Input (in Rs)	Net income (in Rs)	Input-output ratio	Cost of production/quintal (Rs)	
		Grain	Byproduct					Grain	Byproduct
0—2	HYV	25.50	52.88	2151.40	1427.50	723.90	1:1.51	49.06	3.31
	Local	15.50	49.56	1394.80	1054.40	340.40	1:1.32	55.87	3.77
2—4	HYV	28.40	58.00	2391.60	1538.90	852.70	1:1.55	47.58	3.21
	Local	17.75	56.30	1594.00	1168.50	425.50	1:1.36	54.24	3.66
4 & above	HYV	26.00	53.82	2193.10	1433.40	759.70	1:1.53	48.32	3.26
	Local	16.15	50.70	1448.00	1078.80	369.20	1:1.34	55.13	3.72
Average	HYV	26.40	54.53	2227.24	1460.33	773.52	1:1.52	48.27	3.25
	Local	15.91	52.14	1483.13	1087.17	381.81	1:1.34	54.02	3.70

(Grain @ Rs 74 and byproduct @ Rs. 5 per quintal.)

wide variation of cost of manures and fertilizers and irrigation was observed between high-yielding and local paddy.

Yield and value of input-output, net income and input-output ratio per hectare cultivation of high yielding and local varieties of paddy are given in Table III.

Table III reveals that the average yield per hectare of HYV paddy was more or less two times that of local paddy. The average yield of HYV paddy came to 26.40 quintals as against 15.91 quintals per hectare of local paddy. Net return per hectare, on an average, for HYV paddy came to Rs 773.52 and for local variety Rs 381.81. The average gross income for HYV paddy and local varieties of paddy came to Rs 2227.24 and Rs 1483.13 per hectare respectively. The higher yield potentiality of HYV paddy resulted in higher net income per hectare compared to local paddy.

A comparison of the costs and returns between the HYV and local varieties of paddy on sample farms revealed that the growers of HYV paddy had incurred about 34.28 per cent more value of inputs and had obtained 102.59 per cent more net income than the local variety of paddy growers. The average input-output ratio and net income came to 1:1.53 and 1:1.34 for HYV and local varieties of paddy respectively. The input-output ratio was higher for HYV paddy because of relatively higher output as compared to input.

The average cost of production per quintal came to Rs 48.27 and Rs 54.02 for HYV and local varieties of paddy. The cost of production given above did not include the marketing charges and loss due to risk and uncertainty in agriculture. The cost of production was low for HYV paddy mainly because of higher yield per hectare as compared to local paddy.

It may be concluded from the discussion above that growing of HYV paddy is more profitable than that of local paddy. Its cost of production per quintal is also lower than that of the local one.

Depreciation and ratio analysis

Dr N. K. Sharma*

Depreciation has come to find a significant place in the balance sheet of an industrial unit. The author has used some significant ratios for making an analysis of relationship between depreciation and some other items of the balance sheet in the cotton textile industry. He has come to the conclusion that efforts should be made to increase depreciation as percentage of gross fixed asset and reduce its percentage in relation to sales, net profit and total cost.

In a developing economy such as ours, each and every unit of the socio-economic segment of the country needs to be restructured for causative and cumulative development as a whole. This cumulative process of balanced growth is possible only when traditional industry such as cotton textiles is rejuvenated and modernised to meet the changing demands of the people. In view of the increasingly felt need for setting aside a certain sum out of profits for the replacement of a fixed asset in some future year, depreciation has gradually been able to find a significant place in the whole complex of accounting. Therefore, adequacy of depreciation is considered significant at the present time. For judging adequacy of depreciation in cotton textile industry some significant ratios have been used for making an analysis of the relationship between depreciation and certain relevant items of the balance sheet and profit and loss account.

A ratio is nothing but one number expressed in terms of another. It is an expression of relationship spelt out by dividing one figure with the other. The ratios can assist the management of a cotton textile unit in its basic functions of forecasting, planning, coordination, control and communication. The plans made by the management can be 'sign-posted' by these ratios. These ratios become an integral part of the accounting and budgetary control system. In the present study 16 units out of the 36 units calculate only two ratios relating to fixed assets and depreciation. These two ratios are: (i) Devidend as percentage of net profit and (ii) Total depreciation as percentage of gross fixed assets. Seven units calculate the following three ratios relating to depreciation and fixed assets: (i) Depreciation as percentage of net profit; (ii) Net profit as percentage of dividend; and (iii) Total depreciation as percentage of gross fixed assets. Ten units calculate the following four ratios relating to depreciation and fixed assets: (i) Depreciation as percentage of net profit; (ii) Net profit as percentage of dividend; (iii) Depreciation as percentage of sales; and (iv) Total depreciation as percentage of gross fixed assets. Only two units calculate the following five ratios relating to depreciation and fixed assets: (i) Depreciation as percentage of net profit; (ii) Depreciation as percentage of sales; (iii) Depreciation as percentage of development rebate; (iv) Net profit as percentage of divindend; and (v) Total depreciation as percentage of gross fixed assets.

ratios calculated

The present study reveals that only one unit calculates six ratios relating to depreciation and fixed assets. The ratios which it calculates are : (i) Depreciation as percentage of net profit; (ii) Depreciation as percentage of sales; (iii) Depreciation as percentage of development rebate; (iv) Net profit as percentage of dividends; (v) Total depreciation as percentage of gross fixed assets; and (vi) Depreciation as percentage of total cost.

Only three units calculate the above ratios monthly; ten units calculate these ratios half-yearly and rest 23 units calculate these ratios yearly. However, five units are such as compare these ratios with the ratios of other units as well as with their past performance. Thirty-one units are such as compare these ratios only with their past performance. With the help of the above ratios, the relationship between the fixed assets and depreciation has been analysed. These ratios have been calculated from the data contained in the financial statements. The following are the main ratios for analysing depreciation in relation to fixed assets:

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1. *Depreciation as percentage of Sales*: This ratio establishes relationship between the amount of sales during the year and depreciation expenses during the year. It shows the share of depreciation with sales. It can be observed that in the cotton textile units under study the percentage of depreciation in relation to sales was high during 1960-1965 due to overall increase in fixed assets. The average of percentage in 1956, 1961, 1966, 1972 and 1975 were 3, 4, 4, 3 and 3 per cent respectively. In 1956 overall average ratio was high as compared with average ratio in 18 units. In 1961 overall average ratio was high as compared with the average ratio in 13 units. Again in 1966 it is observed that this ratio was high in comparison with the average ratio in 13. The same trend was visible in 1972 and this ratio was high in comparison with average ratio in 11 units. In 1975 the ratio was high as compared with average ratio in 10 units. The installation of new plant and machinery or decrease in sales were the main causes on account of which the ratio of depreciation to sales was higher during the period 1956-75.

average ratio

2. *Depreciation as percentage of net profit*: For calculating this ratio net profit is taken before development rebate and depreciation. The ratio shows depreciation as part of net profit. The lower the ratio, better it is because that shows that the profits are more in relation to depreciation which is fixed by the Companies Act. The averages of this ratio in 1956, 1961, 1966, 1972 and 1975 were [illegible] 33, 56, 57 and 56 respectively. It can be observed that in 1956 in comparison with overall average ratio the ratio were at all high level in 10 units. In 1961 this ratio was high in comparison with the overall average ratio in 14 units. An examination of the ratios in 1966 reveals that the ratio was high in comparison with the overall average ratio in 11 units. In 1972 this ratio was high in comparison with average ratio in nine units. In 1975 this ratio was high in comparison with average ratios in 15 units. Small amount of net profit due to large amount of expenses or lower turnover of the units were the main causes on account of which the ratio of depreciation to net profit was higher during the period under study.

3. *Development rebate reserve as percentage of depreciation*: The average of this ratio in 1956, 1961, 1966 and 1972 were 13, 23, 15 and 19 respectively. In 1956 this ratio as compared with the overall average ratio was lower in 25 units. In 1961 this ratio was lower in comparison with the overall average ratio in 19 units. The ratio was also lower in 1966 in the case of 18 units. In 1972 this ratio was again lower in the case of 17 units. Two main causes on account of which the ratio between development rebate reserve and depreciation remained at a low ebb were the [illegible] fixed assets [illegible] suffered by the units.

written off assets

4. *Total depreciation as percentage of gross fixed assets*: This ratio shows the percentage of fixed assets written off. The average of this ratio in 1956, 1961, 1966, 1972 and 1975 are 50, 51, 51, 56 and 58 respectively. The study reveals that in 1956 this ratio was low in comparison to average ratio in 17 units. Again in 1961 this ratio was low in comparison to the overall average ratio in 18 units. In 1966 this ratio was low in comparison with the overall average ratio in 13 units. In 1972 this ratio was low in comparison to average ratio in 14 units. The same trend was visible in 1975 and this ratio was lower in 13 units. No provision of reasonable depreciation, purchase of new fixed assets year after year or following the straight line method of providing depreciation were the principal factors which were largely responsible for a lower ratio between gross fixed assets and total depreciation in mass of the units during 1956-75.

5. *Depreciation as percentage of total cost*: This ratio shows percentage of depreciation with total cost. The analysis reveals that average of percentages in 1956, 1961, 1966, 1972 and 1975 are 4, 5, 5, 3 and 3. In 1956 the overall average ratio was high as compared with the average ratio in 13 units. The overall average ratio in 1961 was high as compared with the average ratio in 14 units. Again in 1966 it is observed that this ratio was high in comparison with average ratio in 12 units. The same trend was visible in 1972 the overall ratio was high as compared with the average ratio in 15 units. In 1975 ratio was high in 14 units. During the period under study, this ratio was high in those units where the quantum of depreciation was high or total expenditure excluding depreciation low.

easy replacement

6. *Dividend as percentage of net profit*: This ratio shows the relationship of dividend with net profit after tax. The average of the percentage in 1956, 1961, 1966, 1972 and 1975 were [illegible] and 41 respectively. In 1956 the overall ratio was high as compared with the average ratio in 13 units. In 1961 overall average ratio was high as compared with the average ratio in 18 units. It can be observed from the study that in 1966 this ratio was high in comparison with the average ratio in 12 units. The trend in 1972 was more or less similar to that found in 1966 and the overall ratio was high in comparison with average ratio in 17 units. In 1975 it was observed that ratio was high in comparison with average ratio in 1 units. This ratio was high when net profit was low or rate of dividend was high.

After making an analysis of the above ratios it can be said that the results are satisfactory in the case of 18 units out of 36 units. The reason is obvious: because depreciation as percentage of sales was low in comparison to average ratio. Where it was high, the reason was installation of new plant and machinery. This argument can be examined with the help of the percentage increase in gross fixed assets.

For example, the ratio of one unit in 1972 was as high as four, while the average ratio was three. But when we consider the percentage increase in gross fixed assets based on 1956, we find that it was 247 per cent. The second thing was that depreciation as percentage of net profit was low when compared with the average ratio in the case of most of these units and when it was high the reason was more provision for depreciation as compared to old units. The reason was that these units were following written down value methods. Their fixed assets were new, therefore, the total amount of depreciation was more. For example, in the case of one unit this ratio was 58 while the average ratio was only 57, but higher ratio was due to more provision for depreciation.

The third reason was that development rebate as percentage of depreciation was also high and when it was low the reason was lack of modernisation and replacement of fixed assets due to defective government policy. For example in the case of a unit, this ratio was only 11, while the average ratio was 19, the reason being that the government did not issue import licence for spindles and looms. The fourth reason was purchase of new fixed assets. For example in the case of one more unit in 1972 it was 48, while the average ratio was 56. The reason was that its gross blocks increased up to 217 per cent as compared to 1956.

The fifth reason was that depreciation percentage of total cost was low in these units and when it was high the reason was high depreciation provisions due to adoption of written down value method and use of new plant and machinery. For example in one unit, this ratio was four while the average ratio was only three. The reason was high depreciation charges due to adoption of written down value methods for major items of fixed assets and installation of new plant and machinery. The sixth reason was that dividend as percentage of net profit was also low in these units and if it was high the reason was high rate of dividend. For instance, in the case of a unit this ratio was 67, while the average ratio was 38, the reason being high rate of dividend, i.e., 18 per cent, while the average rate in cotton textile industry was much lower.

It is suggested that each unit must try to reduce depreciation as percentage of sales, as a percentage of net profit and as a percentage of total cost. It should also try to reduce dividend as percentage of net profit and efforts should be made to increase depreciation as a percentage of gross fixed assets. These measures if adopted by the textile units under study and also by other similar units of the cotton textile industry in the country, replacement of assets will become an easy problem with them.

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WINDOW ON THE WORLD

Norway as an oil nation

Odd Nordhus

A delegation of Norwegian oil industry recently visited this country to hold discussions for expanding cooperation between India and Norway in relation to offshore exploration and production. This article by the head of division in the Foreign Exchange Department of Norges Bank will be read with interest in this country because it shows how within the last few years Norway has emerged as an oil-exporting country. The discovery of oil and its prompt exploitation has now offered new opportunities to the Norwegian economy. Sensing an easy balance of payments position in the next few years, Norway has set the target of aid to developing countries at one per cent of the Gross Domestic Product (GDP) including the oil revenue.

AS AN oil country Norway is very young. It was in the autumn of 1962 that the first foreign oil company approached the Norwegian government for permission to start exploration on the Norwegian continental shelf. The large gas discoveries which had been made off the coast of the Netherlands in the late 1950s had raised expectations of similar finds in the British and Norwegian sectors of the North Sea.

The Norwegian authorities took the stand that no precipitate move into petroleum ventures should be made until the problems involved had been closely studied and the necessary legislation had been enacted and rules and regulations drawn up.

By a Royal Decree of May 31, 1963, Norway proclaimed sovereignty over its continental shelf in respect of exploration for and exploitation of natural resources. The sovereignty was claimed in accordance with international law as promulgated by the fourth Geneva Convention of April 29, 1958, giving coastal nations sovereignty over the ocean floor and the seabed.

The Decree was followed up by Act No 12 of June 21, 1963, on exploration for and exploitation of underwater natural resources. Pursuant to that Act, the first exploration licence was granted in the autumn of that year, nearly one year after the initial request. The licence referred exclusively to seismic survey, etc, and did not cover drilling operations.

Production licences wer not granted until rules and regulations for exploration for and exploitation of underwater natural resources had been stipulated by Royal Decree of April 9, 1965, which set out the main rules for activities on the continental shelf and was subsequently replaced by Royal Decree of November 8, 1972.

Since the first hole was drilled in 1966, more than 150 had been drilled by May 1976. All drilling has taken place south of the 62nd parallel. The size of that area is 140,000 square kilometres. It has been divided up into 315 blocks, each covering some 500 square kilometres. Production licences have been granted for 102 blocks, covering some 20 per cent of the area south of the 62nd parallel. The first discovery was made in December 1969 and was confirmed commercially exploitable a year later. So far, 26 finds have been made, of which at least 10 are commercially exploitable at today's oil prices.

Proven reserves south of the 62nd parallel are estimated at 860 million tons of oil and 700 billion cubic metres of gas. Ultimately recoverable reserves are estimated at 1-2 billion tones of oil and 1,000-2,000 billion cubic metres of gas. These quantities are several hundred times greater than Norway's annual consumption of petroleum.

proven reserves

As shown in the table below, three larger fields account for most of the proven reserves. Ekofish was the first large oil and gas find in the North Sea. It is located in the south-west corner of the Norwegian continental shelf. Since the summer of 1971 smaller quantities of oil have been produced from the Ekofisk field and transported ashore in tankers.

Pipelines have been laid to Teesside in England and to Emden in the Federal Republic of Germany for carrying ashore oil and gas, respectively. The oil pipeline was completed and put into service in October 1975, and that led to a significant increase in production. The maximum capacity of the oil pipeline will be some one million barrels a day. The gas pipeline has a capacity of some 60 million cubic metres a day and is expected to become operative by 1976-77.

Oil production from the Ekofisk field is expected to reach a peak of some 33 million tons in 1979-80, when gas production will be some 17-18 billion cubic

Oil Reserves of Norway

	Oil (million tons)	Gas (billion cubic metres)
Ekofisk	310	320
Frigg		100
Statfjord	480	100
Total	790	520

metres. The gas has been sold under long-term contracts to buyers on the Continent.

The Frigg field is one of the largest offshore gas fields in the world and was declared commercially exploitably in April 1972. It is located on the demarcation line between the British and the Norwegian sectors of the North Sea and is approximately equally divided between the two sides. The concession holders on the Norwegian and British sides cooperate on the development and exploitation of the field. Two gas pipelines (one Norwegian and one British) are under construction for bringing the gas ashore in St Fergus, Scotland. Deliveries are expected to start in 1977-78 and will continue over a period of 16 years. Annual deliveries from both sides will total some 15 billion cubic metres. A long-term contract has been signed with British Gas Corporation on the sale of all of the gas from the Frigg field.

Statfjord, the hitherto largest oil discovery in the North Sea, was confirmed commercially exploitable in August 1974. The field is located some 180 kilometres west of Sognefjorden and extends into the British sector. The field also contains substantial quantities of gas. Oil production is expected to get under way around the turn of the year 1978-79 by aid of a loading system at sea. Surveys are at present being conducted in order to decide on a permanent system for bringing the oil ashore, possibly by an oil pipeline to Norway if the technical problems can be overcome.

new discoveries

In addition to the fields menationed, several smaller discoveries containing substantial quantities of gas have been made. No decision has as yet been made about the method of exploiting the finds and transporting the gas from these fields. Separate transportation systems for each of the finds would hardly be economical, but it may prove feasible to construct a pipeline to which several of the wells could be connected which otherwise would not be commercially exploitable. These finds contain proven reserves estimated at 250 billion cubic metres of gas. The possibilities for and problems involved in constructing such a joint transportation system are at present under study, but such a project cannot be expected to be operative until 1984.

There is no basis for any accurate prediction of what quantities of petroleum may be found below the seabed north of the 62nd parallel. Neither can anything definite be said about the extent of that area since the question of demarcation lines for the Norwegian continental shelf has not been settled. If the continental shelf is defined to extend to a depth of some 500 metres, the area is more than five times that of the Norwegian continental shelf south of the 62nd parallel which borders on the British and Danish continental shelves.

Seismic surveys of the Norwegian continental shelf north of the 62nd parallel have shown substantial sedimentary layers indicating the presence of oil and gas. Limited test drilling may be started off the northern coast in 1978, and various studies are under way to ensure that the activity can take place without much inconvenience to the fisheries and damages to the life in the ocean.

capital intensive

Offshore petroleum activity is very capital-intensive. When fully completed, the Ekofish field it is estimated to cost 22 billion kroner (at current prices), of which the oil and gas pipelines account for six billion kroner. The cost of developing the Statfjord field is estimated to reach a similar amount when the oil pipeline and terminal ashore are included, while the Norwegian sector of the Frigg field will cost 7.5 billion kroner. The total investments in the three fields will thus amount to some 50 billion kroner. The production costs are substantially higher in the North Sea than in the Middle East, but they are lower than in Alaska and in the Arctics. Rough estimates show that if the total costs of new discoveries in the Middle East are 0.50 US dollar per barrel, the costs in the North Sea are 2-5 dollars per barrel and in Alaska some eight dollars per barrel. At the prevailing oil prices and given the comparative advantages of transport within a European market, North Sea oil seems to be fully competitive.

Production of oil on the Norwegian continental shelf is in 1976 expected to reach some 14 million tons, or about double domestic consumption in Norway. Production will be stepped up rapidly in the years to come, and on the basis of the present estimate for the proven reserve in the three above-mentioned fields it is expected to peak at some 78 million tons of oil equivalent in 1984. If no new discoveries are made, production will then gradually taper off, and the fields will be exhausted at the beginning of the next century. In the meantime new discoveries will probably be made, and it is reasonable to assume that a stable rate of production can be maintained for a very long time to come.

bright days ahead

In the years immediately ahead, petroleum production will result in a sharp rise in Norway's exports and contribute to a rapid growth of the Gross Domestic Product. The value of exports of oil and gas may reach 30-35 billion kroner and account for about one-fourth of Norway's total exports of goods and services in 1980. As a further illustration of the importance to Norway of the oil discoveries may be mentioned that in 1980 petroleum production is estimated to account for 12—15 per cent of the country's total output.

In a global context, however, Norwegian petroleum production will be relatively modest. Even at the peak in the beginning of the 1980s it will hardly exceed two per cent of the world production or about seven per cent of Europe's oil consumption.

A substantial part of the revenue from petroleum production will accrue to the state in the from of royalties and taxes. Total tax revenue in the period 1976-1981 may amount to 60 billion kroner. The gross production value of petroleum in 1980 is estimated at 40 billion kroner, of which the state may take in some 20 billion kroner.

The petroleum discoveries have brought forth a new factor in the Norwegian economy, representing fresh challenges to the trade and industry sector and new opportunities for the economic development of the country. In a material sense Norway will become a richer country. Income per capita will rise substantially and the external position will strengthen significantly.

But for a small country such as Norway with a population of only four million people, how to fit the oil activities into the economy is not devoid of problems. The offshore operations and related activities ashore increase the demand for labour in an already tight labour market, and the use of the oil revenue at home will further increase the pressure. The competition for labour will be reflected in price and cost pressure and in the transfer of labour from the least competitive industries. Such readjustments in the pattern of production and employment are a normal feature of an economy in expansion, but they will be amplified by the oil activities, and the more extensive the petroleum operations become the more changes must be expected in the existing structure of the economy.

go-slow policy

There is broad agreement in Norway that the pace of petroleum exploration and exploitation must be kept moderate in order to avoid a rapid structural change in the economy with unfavourable consequences for the pattern of settlement and for social and environmental conditions. But even though there is agreement on a 'go-slow policy', opinions differ about what constitutes a moderate pace. The government has indicated that it considers as moderate a production of oil and gas of 90 million tons of oil equivalent per year, but it has been stressed that such a figure should not be regarded as a permanent and absolute limit. If important assumptions should change, it would be reasonable to reconsider in an over-all context as to what would be the most suitable production pace. As mentioned above, production at present is not expected to reach more than some 78 million tons of oil equivalent in 1984.

In industry sectors the wish for an acceleration in the pace of exploration has been expressed, partly because that would alleviate the problems caused by the recession and the crisis in the shipping sector for parts of the engineering industry However, the authorities have not been willing to accept the idea that cyclical and structural problems in some sectors are endeavoured to be solved by regulating the oil operations.

It has been decided that as a main rule oil and gas shall be landed on Norwegian soil. The reason for that is the desire to ensure national control of production and marketing. When, nevertheless, landing abroad hitherto has been accepted that is because technical difficulties in laying a pipeline across the Norwegian Trench have not been solved. In addition, there is not yet any market in Norway for dry gas, and any future domestic sale of dry gas will be small relative to the quantities of gas to be produced.

The objectives of Norwegian oil policy are sought to be realized through the allocation of new blocks, the conditions for concession, and through state participation in production and marketing.

So far, there have been three concession rounds. In the first round—in 1965—78 blocks were allocated. In 1969 a furter 14 blocks were awarded and an additional two blocks in 1973 as a result of the discovery of the Brent field in the adjoining British sector. The latest concession round took place in 1975 when nine blocks were awarded. The decline in the number of new allocations is a clear reflection of the authorities' wish to proceed slowly.

After the first commercial find was made and it became obvious that substantial quantities of petroleum could be extracted on the Norwegian continental shelf, the concession conditions have been considerably tightened.

financial terms

The financial terms cover an area fee, royalty and income taxes. For the first six-year period the area fee is 750 kroner per square kilometre. After the initial six-year period, an area free of 1,800 kroner per square kilometre is charged for the first year, and thereafter it rises progressively each year until it reaches 30,000 kroner per square kilemetre as from the eleventh year after the expiration of the initial six-year period.

The production royalty originally amounted to 10 per cent for oil and 12.5 per cent for gas. With respect to oil, royalty rates varyied from 8 to 16 per cent, depending on the size of production, have later been introduced. When production is below 40,000 barrels a day the rate is eight per cent, when it exceeds 350,000 barrels a day the rate is 16 per cent. With respect to gas production the royalty payment remains 12.5 per cent. The government may request that royalty payments be made in the form of petroleum deliveries.

surtax provisions

Ordinary company tax amounts to 50.8 per cent of taxable income. In addition, the companies have to pay a surtax amounting to 25 per cent of net income (company income less royalty and ordinary tax) on the production and pipeline transport of petroleum. Dividends paid out, losses or deficits on other operations are not deductible for purposes of calculating the surtax, but deduction from net incyme may be made for an amount equal to 10 per cent of the purchase value of all operating equipment put into use in the preceding 15-year period. The rules for the surtax are formulated in such a way that income from the most profitable finds are taxed more heavily than income from the less profitable ones. The taxes are calculated on the basis of normative prices stipulated by the minstry as an average price for the period in which delivery takes place. The normative price shall correspond to the price which in the respective period could have been obtained by sale in a free market. In principle, this is the same system as the one used for calculating royalty payments. On the assumption of a 10 per cent royalty, the oil companies have to pay an average tax (royalty, ordinary income tax and surtax) varying from 57 per cent to 66 per cent.

At the time of the allocation of blocks in 1969 the government demanded an option to participate either on a carried interest basis (to share in the production of petroleum on an equal basis with the other partners but not share in the financial risks) or on the basis of net profit interest. The state participation varied from 5 to 40 per cent. Later on, the state has retained for itself a substantially greater interest, and in the blocks awarded in 1975 the state has a minimum interest of 50 per cent. A condition for the most recent concessions has been that the government shall be able to increase its participation in any possible discoveries according to a predetermined scale, up to a maximum of 70-75 per cent of the total find, depending on its size. The interests of the Norwegain government are attended to by the Norwegian State Oil Company.

The Norwegian State Oil Company (STATOIL) was established in 1972 on the decision of the Storting. The company is wholly state-owned and was set up to look after the commercial interests of the state and to act as a tool for the implementation of the government's industrial policy in the petroleum sector. The field of activity of the company is broadly defined and covers all aspects from exploration for and exploitation of petroleum resources to marketing and production of products based on petroleum.

role of Statoil

Statoil has a 50 per cent interest in Statfjord and a five per cent interest in Frigg. If any finds made in the blocks awarded in 1975 are commercially exploitable, Statoil's participation may, as mentioned above, be increased to a maximum of 75 per cent. Statoil has a 30 per cent interest in the companies owning the pipelines from Ekofisk to Teeside and Emden and is a partner in a petro-chemical plant under construction in southern Norway. In addition, Statoil is part owner of an oil refinery and of the distribution company which the government recently purchased from British Petroleum. In other words, Statoil is intended to play a very important role in the development and exploitation of the petroleum resources on the Norwegian continental shelf.

However, that does not mean that foreign oil companies will be excluded from participating in petroleum production in the Norwegian sector.

It was the large international oil companies which first showed an interest in searching for petroleum in the Norwegian sector and which made the first discoveries. For Norway, oil activity was an untried field, and the necessary experience and expertise for independent search were not locally available. Although sufficient experience to master the tasks may gradually be acquired, the Norwegian authorities consider continued cooperation with foreign oil companies desirable.

In choosing licence holders, the authorities have given preference to large companies with extensive resources and technological knowledge in order to ensure safe and rational operations. Large companies may more easily absorb losses, and they will be more able to handle any mishaps.

For these reasons, many small Norwegian companies which were set up after the first discoveries were made, have been excluded from the allocation of blocks. Apart from Statoil, only one Norwegian company — Norsk Hydro - - has any extensive interests in petroleum production. The company, which is 51 per cent state-owned, has a 6.7 per cent interest in Ekofisk and a 32.87 per cent interest in Frigg. Saga Petroleum, a company set up in 1972 by a group of Norwegian companies, was awarded part of a block in 1975.

When assessing the effects of petroleum operations on the Norwegian economy, it may be useful to separate between the effects arising from capital end labour being employed in petroleum operations and related activities and those arising from the royalty and tax revenues being used to increase domestic expenditure on goods and services.

transfer of resources

The first-mentioned effects are similar to those which are always felt when resources are being transferred from less profitable to more profitable sectors. The effects exerted by the use of the government revenues, however, will be of a somewhat different nature and probably more problematic. Such revenues may be compared with unilateral transfers from abroad, having no basis in domestic production of goods and services. To the extent that the money is used at home it will cause demand pressures resulting in changes in production and employment.

The 'go-slow' policy of the authorities is primarily based on the wish to avoid too abrupt changes in the Norwegian economy. In the following we shall therefore examine in more detail the problems related to the use at home of the revenue from royalties and taxes. But first, some comments on employment in the petroleum sector and the part played by Norwegian industry.

employment potential

Since the first commercially exploitable finds were made on the Norwegian continental shelf there has been a rapid growth in employment in oil-related activities: from some 6,600 persons in August 1973 to more than 24,000 in January 1976, i.e., some 1.4 per cent of total employment in Norway.

Only some one-third of the employment figure referred to primary petroleum activity, i.e., oil and drilling companies, bases, and related service activities. About one-half of the number referred to the building of steel platforms and supply ships, an activity engaged in largely by already established industries and representing a switch in production from traditional goods to the type now needed by the petroleum sector The switch in production has therefore not led to any significant pressure on the labour market. It may rather be taken as an indication that existing industry has managed to take advantage of the opportunities offered by the activities on the continental shelf.

The remainder of the number mentioned was engaged in the building of concrete platforms and the construction of refineries and petrochemical plants. A substantial part of the labour force thus employed has normally been working in the building and construction sector, and therefore it is more or less a question of a switch in production.

Measured by employment, the petroleum sector occupies a relatively modest place in the Norwegian economy and has not caused any significant pressure on the labour market in a nation-wide context. The increase in employment has been particularly great in the south-west coastal region which is in the closest proximity to the activities in the North Sea. In that area some pressure on existing, traditional industry has been unavoidable. Relocation of labour from other sectors of the country has taken place locally, especially from manufacturing industry and the construction sector. Not much recruiting has taken place from primary industries.

Most of the goods and services required for the activities on the continental shelf come from abroad, but Norwegian enterprises have worked hard to get a share of the activities.

In the period to end-1975, deliveries from Norwegian enterprises accounted for a good 15 per cent of the 15 billion kroner total investment expenditure on the continental shelf (including exploration costs). In the course of the next five years, investment expenditure — including exploration cost — is estimated to reach 35 billion kroner, and the Norwegian share of the deliveries is expected to increase substantially.

The question of how Norway shall use the revenue from royalties and taxes on oil operations has been and still is at the centre of discussion in Norway. Most people are, of course, happy about the newly found riches. But the problems they involve are nevertheless uppermost in people's minds.

This may sound strange, but in view of the Norway, enormous figures the petroleum revenue may run into, it is nevertheless not so very odd that people feel apprehensive about the consequences. It is obvious that extensive use of the oil revenue at home will have very disruptive effects on the economy. Basic aspects of our society will be affected, and people are afraid that values which are highly treasured will be lost.

revenue utilisation

Essentially, the oil revenue may be used in the following ways:

(1) for domestic expenditure on goods and services;

(2) for further investments on the Norwegian continental shelf;

(3) for capital exports (including development aid).

Use of the oil revenue in Norway will lead to excess demand which in turn will result in pressure on prices and costs and in a change in the pattern of employment and production.

As Norwegian participation in oil exploitation and production increases, some of the public revenue from the petroleum sector may be used to finance expenditures on the continental shelf. Since a substantial part of the equipment and services for oil operations is imported direct from abroad, the domestic demand effect in that case will be limited.

The third alternative is to use the oil revenue for capital exports. That will have no immediate impact on domestic demand. Capital exports may take place in various forms, e.g., loans, portfolio investments, direct investments, development aid.

demand pressures

If it were possible to use all of the increase in revenue for direct imports, the excess demand would be eliminated and the domestic economy would not be affected. However, such prospects are not realistic. Most of the increase in demand will be directed towards domestic goods and service, causing prices and cost pressures. That will hit the typical export industries and the industries competing with imports whose prices are determined by the world market. Some of those industries will then have to close down or curtail their activities, resulting in lower exports and larger imports. At the same time, labour and capital will be released and can thus be transferred to sectors which are sheltered from competition from abroad and are therefore able to pay the higher wages.

The more of the petroleum revenue which is used at home the more drastic the changes in the existing structure of industry and employment will become.

Changes in production will often entail considerable drawbacks, for instance that people have to move. This can cause personal and social problems for the ones who are forced to move. Relocation affects the country's settlement pattern and may cause hardship to the smaller, less diversified, industrial communities,

Only greater domestic expenditure on goods and services will immediately raise the standard of living in Norway. Thus, the choice to be faced is between the direct boost to the standard of living provided by the use of the greater revenue and the negative effects on the general well-being brought about by the readjustment process.

In a White Paper presented to the Storting in 1973, the government provided a broad survey of the oil operations as well as an analysis of the possible consequences to the Norwegian society. Special attention was paid to the readjustment problems in case the petroleum revenue were to be used at home. Estimates showed that extensive use of the petroleum revenue at home would lead to significant changes in the pattern of production and employment. Without committing itself to any definite figure for the use of the petroleum revenue, the government was at that time clearly of the opinion that for reasons of the readjustment problems it would not be justifiable to allow the petroleum revenue to bring about an increase in domestic spending of more than 6,000 million kroner, at 1974 prices, in the period to 1980. Each 1,000 million kroner increase in total expenditure on goods an services over the period to 1980 would require approximately 7,000 additional wage-earners. That figure is based on several uncertain assumptions, e.g., regarding how incomes are spent.

shortage of labour

It was assumed that total employment would increase by an average of 0.8 per cent per year, or by some 75,000 persons between 1974 and 1980. Even without any use of the petroleum revenues it was expected that the industries sheltered from competition would see their employment rise by some 95,000 man-years in the period to 1980. With an increase of 10,000 in the number employed in the petroleum sector, that would mean a decline of about 30,000 man-years in employment in sectors exposed to competition. If 6,000 million kroner (at 1974 prices) of the petroleum revenue were to be used in 1980, there would be a further decline of some 40,000 man-years in employment in the exposed sectors, i.e., a total of some 70,000 man-years. That would mean a 20 per cent decline in employment in industries exposed to competition between 1974 and 1980, while in the industries sheltered from competition employment would increase by a total of 135,000 man-years, or about 8.8 per cent.

Although several important assumptions have changed since the above estimates were prepared, the picture presented by newer estimates is essentially the same. But since the government now is planning on a weaker trend in production and a some-what different distribution of domestic expenditure on goods and services than previously, the readjustments up to 1980 are now expected to be somewhat less rapid than previously assumed. This reflects the government's desire to underline that it places greater emphasis on easing the transition process and thereby reducing its costs than on a more rapid growth of domestic consumption.

rise in GDP

The growth of Norway's gross domestic product will in the years immediately ahead be strongly influenced by the starting up of oil and gas production on the continental shelf. At fixed 1974 prices, GDP is estimated to rise by an average of 6.8 per cent per year between 1974 and 1980. The increase in total output in Norway apart from oil drilling, oil production and shipping is estimated at four per cent.

Most of the oil and gas to be produced will be exported since the quantity will far exceed domestic consumption in Norway. A major part will be exported in the form of crude oil and natural gas. In the report on the national budget for 1976, the export value of crude oil and natural gas is estimated to reach some 37 billion kroner (at current prices) in 1980. That equals about 35 per cent of the country's estimated commodity exports in that year and 25 per cent of the estimated total goods and services exports.

Accordingly, and since the government plans on not using all of the revenue from petroleum operations for greater domestic expenditure, Norway's balance of payments on current account will be showing substantial surpluses. The surplus in 1980 is estimated at 20 billion kroner, or 10.5 per cent of estimated GDP in that year. However, great uncertainty is attached to that estimate, i.e., becasue delays may occur in the development of the fields and in the laying of pipelines. More recent information indicates that the current account surplus in 1980 will be smaller than the figure mentioned above.

Nevertheless, a marked turnaround will clearly take place in Norway's current account position, from substantial deficits — especially in the years 1974-1976 — to large surpluses as from the end of the 1970s.

In 1975, Norway had a balance of payments deficit on current account of 13.3 billion kroner (equal to about nine per cent of GDP), and the 1976 deficit is expected to be of a similar size.

The large payments deficits which Norway has run up in recent years and will be running for some time, are to a very great extent due to the investments on the continental shelf. A substantial part of those investments have been financed by capital imports, partly in the form of equity capital from the international oil companies but mainly in the form of loans raised in the Euro-market and in the international capital market. The foreign debt thus accumulated will be repaid when production comes on stream. In the first years of current account surpluses the surpluses will largely be absorbed by debt repayments abroad. But as the debt is gradually being repaid and the current account surpluses continue, there will be a basis for direct capital exports from Norway in various forms, e.g., as loans and direct investments. Any prediction about when that time will come is very difficult, but it will hardly be until after 1980.

Before that time it may, nevertheless, be prudent to take measures aimed at facilitating some capital exports from Norway.

It is worth noticing that a very great proportion of the incomes from petroleum operations will accrue to the state in the form of taxes and royalties. Since, for reasons mentioned above, the greater revenues cannot be used at home, the government will have financial surpluses. Some of these surpluses will be needed to finance investments on the continental shelf since it is only reasonable that Norway itself undertakes a growing share of the financing of the future development on the continental shelf. But there is reason to believe that the government surpluses will exceed the amounts used for such investments, and part of the surpluses may conveniently be placed abroad, as loans or direct investments. No stand has yet been taken as to how and in what form any possible capital export shall take place. The surpluses will otherwise provide a basis for greater development aid, and the government has clearly stated that it wishes to step up development aid in the years to come. The target stated is one per cent of GDP, including the oil revenue.

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Manager

Self-reliant growth of South Korean economy

In this survey of the South Korean economy prepared by the Asian Department of the International Monetary Fund, it is pointed out that since 1962, it has made steady progress. The average annual rate of growth of GNP was 7.8 per cent in the first Plan (1962-66) which improved to 10 5 per cent in the second Plan (1967-71) and is expected to be around 10 per cent in the third Plan (1972-76). The fourth Plan (1977-81) is under preparation, the estimated rate of annual growth is nine per cent.

SOUTH KOREA weathered the recent twin shocks of increased oil prices and world recession quite successfully, aided by a marked increase in capital inflows and prudent financial management in the domestic sphere. Currently, most economic indicators show that South Korea may have resumed its export-led high growth path.

Although real growth of gross national product (GNP) dropped sharply to an average of about eight per cent a year in 1974-75 from the peak rate of 17 per cent reached in 1973, it was still comparatively high by world standards. As recovery has picked up sharply since the last quarter of 1975, the official estimate of real GNP growth in 1976 is around 12 per cent. There is also considerable progress in reducing inflation. The rate of increase in wholesale prices was down to 12 per cent in 1975, compared with 45 per cent in 1974, and the authorities project a further reduction to 10-12 per cent in 1976. The current account deficit, which reached a level of about two billion dollars in 1974-75, is expected to be sharply reduced in 1976.

rapid expansion

The decade of 1965-75 was marked by a rapid expansion of exports and GNP, with export volume increasing by an average of 33 per cent annually and real GNP growing at an annual rate of 10 per cent. This impressive growth has been accompanied by significant structural changes in the economy, including an increase in the share of manufacturing output in GNP from 19 to 28 per cent and an increase in the share of manufactured exports in total exports from 60 to 90 per cent. Per capita real GNP had risen by more than four times to $530 in 1975. Rapid growth has resulted in a transformation of the economic and social structure from a stagnant agricultural society of the early 1950s to today's dynamic semi-industrial urban society. The industrial scene is now marked by industries requiring relatively high skills and technology, such as manufacture of electrical machinery, electronic appliances, chemicals, and transport equipment, as well as shipbuilding.

external factors

However, despite the rapidly expanding industrial structure at home, the South Korean economy is highly sensitive to external economic factors, due to its heavy dependence on foreign trade, and sudden and sharp shifts in world economic activity are likely to dislocate the economy. The recent world recession has once more demonstrated this vulnerability of its economy to world economic instability: therefore, the South Korean planners in designing their fourth five-year Plan for 1977-81 have made efforts to mitigate it by promoting more import substitution and stressing the self-reliant growth of the economy.

Wholesale prices increased by 4.6 per cent in the first half of 1976, and the rate of increase for the year as a whole was expected to be below 12 per cent. The administration of price guidelines was intended to be more flexible than in the past to avoid a buildup of inflationary pressures. In the past decade, prices increased at an average annual rate of about 14 per cent but accelerated to about 22 per cent during 1972-75. The recent relatively high rate of inflation mainly reflected sharp price increases originating from external sources — world price increases for major commodities from 1972 and for crude oil from late 1973. The pace of inflation declined in 1975 and early 1976, attributable partly to the introduction of new price guidelines and controls from the latter part of 1975, and partly to a pause in the process of domestic price adjustments.

widening gap

Owing to high rates of inflation in 1974-75, real wages in manufacturing did not improve significantly, and the increase in real wage of about seven per cent in 1974-75 lagged behind productivity gains. In view of the gap between productivity and real wages, pressures for wage increases are likely to be strong, although labour unions in Korea are traditionally weak. During the slowdown in economic activity in 1974-75, measures were introduced to relieve unemployment in the urban areas.

During 1974-75, monetary and credit policies aimed to provide financial condi-

TABLE I

South Korea: Monetary Survey

(Percentage changes)

	1973	1974	1975
Reserve money	46.0	24.2	39.0
Domestic credit	31.2	53.8	31.9
Claims on private sector	29.9	50.7	23.0
Total liquidity (M2)	35.9	23.4	28.2
Money supply (M1)	40.6	29.5	25.0
Quasi-money	33.3	19.8	30.3
Memorandum items :			
Ratio of GNP to M1	—15.6	8.8	5.7
Ratio of GNP to M2	—8.3	8.7	5.8

Data : Bank of Korea, Monthly Economic Statistics.

tions for reducing pressures on both prices and the balance of payments and for supporting the expansionary fiscal policy introduced from the third quarter of 1974 through the first quarter of 1975 to arrest recessionary tendencies. Against the background of declining reserves beginning early in 1974, associated with a neutral fiscal policy and a growing decline in net foreign assets of the banking system, the authorities substantially increased domestic credit to the private sector. The initial purpose was to finance imports of raw materials which had been ordered for export-oriented industries before export demand began to fall in the spring of 1974; subsequently, credits were provided for exporters to alleviate their financial strain and also to finance the accumulation of inventories of manufactured products adversely affected by declining foreign demand.

credit expansion

Despite a substantial credit expansion, money supply increased only marginally during the first half of 1974 because the decline in foreign assets largely offset the credit expansion. With an expansionary fiscal policy beginning in the third quarter of the year and a continued easy credit policy, including changes in legal reserve requirements and interest rates, reserve money and money supply expanded considerably in the second half of 1974.

In order to maintain monetary expansion within a limit consistent with the authorities' basic economic objectives, the pace of credit expansion to the private sector was markedly reduced in the first quarter of 1975. Following the shift in financial policy in the second quarter of 1975 toward a greater degree of restraint, and with some recovery in export demand and a revival in private investment, the monetary authorities began to ease credit conditions toward the end of the year. For 1975 as a whole, total domestic credit rose by 32 per cent, compared with 54 per cent in 1974. The money supply expanded by 25 per cent, compared with 29 per cent in 1974. The monetary and fiscal policy mix has successfully minimised economic recession and unemployment in recent years, but the considerable tasks of substantially improving the balance of payments, reducing reliance on foreign capital, and controlling the inflation rate call for continued caution and flexibility in policies.

The relatively slow increase in domestic credit in the year ended June 1976 was associated with a strong fiscal performance. Previously, fiscal policies produced increasing overall budget deficits. In 1974-75, the deficit resulted from the adoption of measures to combat the economic slowdown, as well as a large increase in the deficit in nonbudgetary accounts associated with foodgrain and other subsidies, but overall deficits were less than expected. The original 1976 budget envisaged an increase of 33 per cent in expenditures and 30 per cent in revenues, with an overall deficit of about four per cent of GNP. Some measures were taken in early 1976 to reduce recourse to central bank financing of grain and fertilizer subsidies, which have been a major source of the rising budget deficit in recent years. However, budgetary performance during the first half of 1976 was strong, reflecting a large increase in tax revenues, a moderate rise in expenditures and some decline in the deficits of nonbudgetary accounts. If the economic recovery continues, total elimination of the overall budgetary deficit is likely for 1978.

TABLE II

South Korea: Central Government Operations

(billion won)

	1973	1974	1975	1976 (Budget)
Revenue	609	946	1,427	1,849
Expenditure	652	1,019	1,534	2,036
Budget deficit	43	73	107	187
Deficit on extra budgetary account	70	134	256	270
Overall deficit	113	207	363	457
Domestic financing	42	167	221	300
Non-bank borrowing	12	21	45	130
Bank borrowing	30	146	176	170
Foreign borrowing	71	40	242	157

Data : Korean Ministry of Finance

Despite a sharp drop in the GNP growth rate and the adoption of policies to improve the external position, the balance of payments continued in deficit during 1974-75. The sharp deterioration during 1974-75 was due mainly to adverse terms of trade, rather than to any worsening of the export/import volume relationship. Export volume rose by nine per cent in 1974 and 23 per cent in 1975, despite the economic recession in the United States and Japan, which countries together accounted for 70 per cent of South Korea's exports in 1973. The growth in volume was partly attributable to a considerable diversification of export markets. By contrast, import volume rose by only four per cent in 1974 and three per cent in 1975, despite the continued rise in exports and the relatively good growth. The favourable trade performance was due partly to a reduction in

TABLE III

South Korea : Balance of Payments

(million US dollars)

	1973	1974	1975[1]
Trade balance (net)	—566	—1,937	—1,871
Exports (f.o.b.)	3,271	4,515	5,003
Imports (f.o.b.)	—3,837	—6,452	6,874
Services (net)	67	—310	—443
Transfers (net)	190	222	227
Current account	—309	—2,025	—2,087
Capital movements (net)	750	900	1,973
Private capital	483	634	1,327
Government capital	267	266	646
Errors and omissions	33	28	—18
Total	474	—1,097	—132
Memorandum items:			
Gross international reserves	1,094	1,056	1,550
Effective exchange rate, trade-weighted(May 1971-100)	71.22	59.68	60.86

[1] Estimated figures.

inventories and partly to the growth of import substitution. Exports began to accelerate rapidly in the second half of 1975, and the export surge continued at a remarkable pace in 1976. A recent estimate for total exports in 1976 is over seven billions of dollars representing an increase of some 50 per cent over 1975. Imports are expected to be around eight billions of dollars. The current account deficit is expected to be sharply reduced to around one billion of dollars. For the period 1974-75, the total current account deficit of four billions of dollars was financed largely by long-term and short-term non-monetary capital inflow. Associated with this development was a marked increase in short-term foreign liabilities of the banking system, and some change in the external debt profile. By the end of 1975, total external debt amounted to \$5.5 billion, compared with \$2.9 billion in 1972 and \$1.9 billion in 1970. Despite these increases, the debt service ratio became progressively less as exports grew faster than debt service payments; the debt service ratio at 12 per cent in 1975 compared favourably with 21 per cent in 1971. Gross international reserves increased by more than \$500 million in the first half of 1976 to a level of two billions of dollars and they have continued to rise since then.

high growth rate

South Korea achieved rapid growth under successive five-year development plans implemented since 1962. The first Plan (1962-66) achieved an average real GNP growth of 7.8 per cent; the second Plan (1967-71) reached an average growth of 10.5 per cent; and under the third Plan (1972-76), average real GNP growth is expected to be above 10 per cent.

The fourth-five-year Plan is being prepared for 1977-81. Real GNP is currently projected to grow at an annual average rate of nine per cent, while the dynamic manufacturing sector is expected to grow at an annual average rate of 13 14 per cent. The ratio of foreign savings is expected to decline, and the domestic savings ratio is projected to increase sharply to 23 per cent. Export volume is planned to increase by an annual rate of 16 per cent (compared with over 24 per cent under the third Plan); imports are planned to grow by 12 per cent, about the same rate as during the third Plan.

Courtesy : IMF Survey

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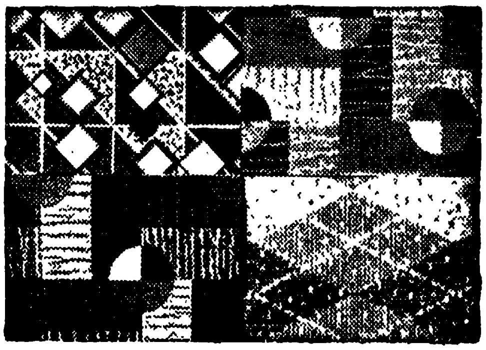

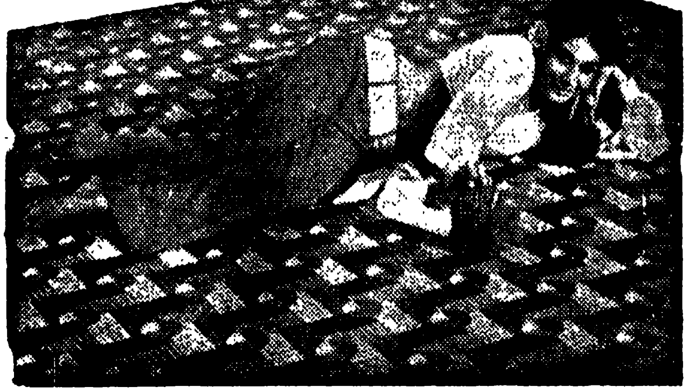

TRADE WINDS

Visakhapatnam Outer Harbour

THE VISAKHAPATNAM outer harbour has been completed. It was commissioned by the union minister for Transport and Shipping, Dr G.S. Dhillon on December 8. The commissioning of this harbour which has been completed within less than five years at an estimated cost of Rs 97.25 crores reckoned as an important event in the history of this port which now starts receiving large vessels of 100,000 dwt initially and 200,000 dwt subsequently. With developments already made and mechanical loading facilities provided for export of iron-ore to Japan, this major port in the Andhra Pradesh will emerge as one of the biggest and the deepest ports between Rotterdam in the west and Tokyo in the east.

As there was a vast hinterland rich with mineral resources and export potentialities, the Visakhapatnam inner harbour, with a capacity to receive vessels up to 36,000 dwt only, presented considerable difficulties to meet the growing trade requirements and export commitment. This eventually necessitated the launching of outer harbour project which has had four components. Breakwaters to provide required transit conditions for the ships anchoring at the harbour; dredging the protected basin to the required depths; a finger type ore berth to receive 100,000 dwt vessels, one on either side and conveyer system to carry iron-ore from the stockyard and load it into the ship at a rate of 8,000 tonnes per hour.

The outer harbour has infrastructure to put up facilities for handling oil, fertilizers and bulk cargo. While the oil berth is under consideration of the government, one of the two mooring berths has been completed to receive bulk oil tankers. Besides, the plans have also been formulated to provide container berth, repair berth and a ship building dry dock. The inner harbour which has at present 17 berths has also to grow simultaneously in a complementary manner because the cargo which is not in bulk and is contained in comparatively smaller vessels will continue to be handled by it.

Farakka Talks

The Indo-Bangladesh talks on Farakka will be "resumed as early as possible", Foreign secretary Mr Jagat Mehta stated recently after his return from Dacca. Mr Mehta, who was a member of the high-level Indian delegation led by Agriculture minister Mr Jagjivan Ram pointed out that the Dacca talks had made "progress". Mr Jagjivan Ram himself had pointed out that the "talks progressed but there was no final outcome yet." Mr Mehta added that the talks had not broken down. The two delegations had agreed to resume at Dacca itself since the talks were an adjournment.

During the delegation's stay in Dacca, Mr Jagjivan Ram also called on the Bangladesh president, Mr Sayem, and the chief martial law administrator General Ziaur Rahman, and had "friendly discussions" with them. These were essentially "courtesy calls", Mr Mehta said. Mr Mehta, however, did not give any details of the talks the two delegations had in Dacca. There was also no official statements on the trend of the talks.

Engineering Exports

The fifth Plan export target for engineering goods fixed at Rs 2,328 crores is likely to be substantially exceeded keeping in view the encouraging performance made so far. The target was revised upward from a level of Rs 1,500 crores originally envisaged in the draft Plan. This was stated by minister of state for Planning, Mr Sankar Ghose, while addressing a workshop on engineering exports recently. Exports of engineering goods during the first two and a half years of the Plan have amounted to Rs 991 crores. In view of the very satisfactory order position and the efforts being made, both by government and the industry to sustain the tempo, exports are expected to rise over the years. Against the revised target of Rs 550 crores fixed for this year, the aim of the industry is to touch a level of Rs 1,000 crores by 1978-79.

Since the task is not so easy, the workshop, organised by the Association of Indian Engineering Industry (AIEI) discussed in depth various measures to achieve the export level envisaged for 1978-79. A number of participants have felt that the formation of consortia of manufacturers should be promoted to undertake large value contracts, particularly from oil-rich countries. AIEI president, Mr F.A.A. Jasdanwalla, called for the formulation of a policy which served as an incentitive to engineering exports to form consortia. Consortia as legal entities should be easy to be set up, protecting the liability of individual members. In this connection, he referred to the problem of bank support and financial limits which prevented a single company from operating as a leader of consortia. Provision of inter-company guarantees constituted another problem. He suggested that commercial banks should issue composite guarantee to cover both the performance of the leader as well as other members.

G.D. Birla in Manila

Mr G.D. Birla was recently in Manila, Philippines, having talks with the president Marcos as well as the ministers and high officials regarding the possibility of setting up industrial ventures in Philippines. A textile spinning unit has already been set up by the Birlas in Manila in a record time of six months and its operations have come for praise from the Philippine government as well as from the bankers to the unit. Another project of the Birlas—an electrical insulator plant in Manila—is under consideration with the Philippines Board of Investments.

Cement Expansion

An expansion scheme of setting up several new plants has been planned by the Cement Corporation of India (CCI) to increase its production. It also proposes to achieve a breakthrough in exports by manufacturing special types of oil well and sulphate resistant cement. Disclosing this recently the chairman and managing director of the CCI, Mr B.V. Raju, stated that another feature was to locate the cement plants in far-flung areas in Himachal Pradesh and

Arunachal Pradesh which were shunned by the private sector.

The capacity of the various plants under the corporation by the end of this year is expected to be 600,000 tonnes. This will go up to 1 million tonnes by the end of 1977 and to 2.2 million tonnes by the end of 1978. Long term schemes for the sixth Plan period have already been prepared and the capacity is planned to be stepped up to three million tonnes by the middle of the sixth Plan and to five million tonnes by the end of the sixth Plan.

Foundation stones for two projects at Neemuch and Akaltara are being laid soon. Foundation was laid for the Yerraguntla project in August this year Mr. Raju said that the expansion scheme of Mandhar project using the blast furnance slag was making good progress and its capacity would go up to 380,000 tonnes from 200,000 tonnes. In the Rajbhan project nearly 50 to 70 per cent of the machinery had been installed and it is expected to be commissioned by the end of 1977. In addition to these, two projects of 400,000 tonnes per year capacity at Tandur and Adilabad are proposed to be taken up next year. The Planning Commissions approval was expected.

Indo-Czech Joint Committee

The seventh session of the Indo-Czechoslovak joint committee for economic, trade and technical cooperation began recently with the officials of the two countries having its first meeting. The Indian delegation to the official level talks is led by the Foreign Trade secretary Dr P.C. Alexander and Czechoslovak delegation is led by Mr J. Janik, deputy minister of Heavy Machine Building and Metallurgy.

The ministerial level talks started on December 15 when the union Commerce minister Prof. D. P. Chattopadhyaya, who is the co-chairman of the joint committee led the Indian delegation. The Czechoslovak delegation was led by Mr A. Barcak, minister of Foreign Trade of Czechoslovak Republic. These talks continued till December 17.

The joint committee dealt with many areas of cooperation, between the two countries, like indusrrial cooperation, trade and economic cooperation, cooperation in science and technology and cooperation in electronics. The Indo-Czechoslovak joint committee was set up in 1966 and its last session was held in Prague in September 1975. Czechoslovakia is an important trade partner of India, ranging third in India's trade with socialist countries. Czechoslovakia supplies to India include industrial raw-materials and other requirements of the Indian economy like steel and steel products, seamless pipes, tubes and castings, newsprint, spares for tractors and machine tools. Czechoslovak imports from India include deoiled cakes, iron ore, jute manufactures, cotton yarn, coffee, castor oil and HPS groundnuts.

Export of Instruments to Malaysia

Instrumentation Ltd. Kota has bagged a trunkey instrumentation and control system for a thermal power station at Prai near Penang being set up by the National Electricity Board of Malaysia. The Rs 4 crore project has been won against stiff international competition.

Mr N.N. Kak, chairman of Instrumentation Limited, told newsmen recently that the tenders were evaluated in details both by the National Electricity Board and the World Bank experts for price, delivery schedule, quality of instruments and technical competence. Instrumentation Ltd already had one system in operation in Malaysia and this gave the Malaysian authorities confidence that the Indian firm would be able to undertake the work efficiently. The breakthrough Instrumentation Ltd. has been able to achieve, Mr Kak said, will project its image abroad and will bring it into international focus.

The firm's success has been, according to Mr Kak, due to the very high rate of growth during the last two years and the utmost customer satisfaction in the execution of instrumentation system for the power station in Malaysia which was in the final stages of completion. This achievemnt, Mr Kak said, in a sophisticated technology "is an important landmark in the development of instrument industry in India and is expected to give a fur-

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the push in the export field to the industry as a whole.”

Loan from West Germany

A loan agreement of 15 Mill. DM (Rs 5.3 crores) was signed recently between Mr Baldev Pasricha (IFCI) and Dr Ernst G. Broeder, Kreditanstalt fur Wiederaufbau (KfW), Federal Republic of Germany. The amount is to be made available for the purpose of promoting small and medium sized industrial and agricultural undertakings. A similar loan agreement for 10 Mill. DM (Rs 3.6 crores) has already been signed in Bombay between the Industrial Credit and Investment Corporation of India Ltd (ICICI) and Dr Ernst G. Broeder on behalf of the Kreditanstalt fur Wiederaufbau (KfW) on December 4, 1976. Both loans are fully guaranteed by the government of India. The amount of 25 Mill. DM (Rs 9.0 crores) was included in the Financial Assistance Agreement between the government of India and the government of the Federal Republic of Germany totalling 362 Mill. DM (Rs 129.2 crores) and signed in Bonn on June 24, 1976.

Tariff Value on Blankets

Tariff values on a few varieties of wollen fabrics made from shoddy yarn have been revised. According to a government notification the tariff values on blankets weighing 1.44 kg. or less and those weighing more than 1.44 kg. will be Rs 25 and Rs 42 respectively, as against Rs 40 for blankets containing not less than 90 per cent of shoddy yarn. The tariff values for fabrics commonly known as melton cloth will be Rs 30 per kg and for all others Rs 52 per kg as against the existing tariff values of Rs 75 per kg. The reduction in tariff values will give a substantial relief to the handloom weavers who are the exclusive producers of these varities. The government has expressed the hope that this reduction in tariff values will be duly passed on to the consumers of woollen fabrics.

Boeing 747s for Air India

The government has approved the acquisition of two Boeing 747 aircrafts by Air India. The two aircrafts with spare engines and spare parts will cost Rs 90.50 crores, including a foreign exchange component of Rs 88.60 crores. Air India at present has a fleet of 9 Boing 707 and 5 Boeing 747. The fifth Boeing 747 was purchased in December, 1975. The sixth and seventh Boeing 747s are expected to be delivered to Air India in December 1977 and April 1978 respectively.

Australian Dollar Revalued

The Reserve Bank of Australia announced recently a two per cent upward revaluation of the Australian dollar. The announcement came only nine days after the government announced a record of 17.5 per cent devaluation because of a continuing loss of overseas reserve and a higher increase in wage costs compared with Australia's major trading partners. A statement by the governor of the Reserve Bank said: “The effect of the variation is to reduce the extent of the devaluation since November 26, from 17.5 per cent to 15.5 per cent.” He added, “This operational adjustment follows consideration of the exchange rate designated in the treasurer's statement on November 28.”

Drilling Rigs from Spain

Spain which has one of the largest shipbuilding yards in the world has offered to supply, at highly competitive prices, a semi-submersible drilling rig for exploration in the deeper continental shelf area. It has also offered a wide range of technology to undertake manufacture of such rigs in India at the existing shipyards without incurring any extra investment. Although several offers have been received by the government for the drilling rigs in the continental shelf area, it is for the first time that an offer of technology has been received.

A three-man Spanish delegation from the well-known joint sector company ASTANO in which the government of Spain holds 60 per cent equity, had wide ranging talks with the Petroleum minister Mr K.D. Malaviya, and senior officials of the ministry. The Spanish delegation is understood to have hinted that they were also exploring the possibilities of increasing trade with this country. Spain is keen to diversify its sources of iron ore and coal supply. At present bulk of its requirements for coal are being met by Poland and that of iron ore by Brazil.

Provident Fund Extension

Tha Employees' Provident Fund scheme has been extended to cover employees drawing up to Rs 1,600. A notification to this effect has been issued by the union ministry of Labour. Earlier, the scheme was applicable to persons drawing up to Rs 1,000. It is likely that nearly 100,000 employees in about 70,000 establishments covered so far will be benefited with the extension of the schem In addition to this, they wi also get benefits under th family pension and depos linked insurance schemes.

Carpet-Backing Buffer Stock in US

Creation and operation of buffer stock of jute carpe backing material in Savannah in the US and efforts to secur abolition of import duties an quota restrictions by the European Economic Communit have been recommended by a survey team of the Indian Institute of Foreign Trade to sustain and develop demand for jute goods in these markets. The team had surveyed the US and EEC markets for jute goods with financial assistance from the United Nations Development Programme and submitted its report in April this year.

The creation of the buffer stock in the US has been recommended to ensure reasonable price stability of jute secondary backing, assured supplies and to restrain speculative aspects of trade as also facilitate close monitoring of developments in the US markets where synthetics have begun making aggressive inroads as in Europe, despite the oil price hike.

According to the survey, the US accounted for 25 per cent or 340,000 tonnes of global imports of jute manafactures which in 1974 totalled 1,326,000 tonnes. India and Bangladesh claimed 99 per cent of that, India's own share being 68 per cent. During the period India earned as much as Rs 83.70 crores from the US market out of her total jute export earnings of Rs 295.7 crores. Carpet backing cloth, hessian cloth and cotton bale covers constituted as much as 95 per cent of the total exports to the US which consisted of some 20 categories of jute manufactures. These accounted for 70 to 80 per cent of total imports of these varieties by the US during 1974.

US Secretary of State

President-elect Jimmy Carter has announced the appointment of Mr Cyrus R. Vance, who served as deputy Secretary of Defence and as a top-level negotiator in the Johnson administration, to be Secretary of State, and Mr Thomas B. Lance, president of the National Bank of Georgia, to be Director of the Office of Management and Budget.

Haryana Incentives to Industries

With a view to fostering the industrialisation of the state, after having achieved significant successes on the agricultural front during the past ten years, the Haryana government is making an all-out bid to attract industrial entrepreneurs through offering attractive concessions, particularly for setting up ventures in the backward areas. For specifically interesting non-resident Indians to invest in the state, a cell has been created in the state Industries department to tackle their problems and clear their investment problems so that they have not to run from one place to another for getting the necessary sanctions.

The concessions available for the establishment of industrial units in the backward areas are being extended to the non-resident Indians irrespective of the fact that the investments in their units may exceed Rs 100 lakhs—the limit for the provision of these concessions to the resident Indian entrepreneurs.

The following concessions are provided by the state government for setting up industries in the backward areas of Haryana, over and above those available under the central scheme for the industrialisation of the notified backward districts: (i) financial assistance from the state financial corporation at interest two per cent lower than the interest charged on the assistance provided to industrial units in the developed areas of the state; (ii) interest-free loan equivalent to seven years' inter-state sales tax assessment to be paid back in 10-half-yearly instalments after a moratorium period of five years; (iii) exemption from electricity duty, which normally comes to 40/50 per cent of the electricity tariff, depending on consumption; (iv) exemption for five years from property tax and levy of this tax only at 50 per cent of the assessable value thereafter; (v) exemption from octroi duty for three years; (vi) some participation in the share capital of the ventures; and (vii) providing of land at concessional rates, varying between Rs 3.5 and Rs 4.5 per sq yard, depending on the requirements of an undertaking.

Non resident Indians

In the case of non-resident Indians, some modifications however, are felt necessary in regard to provision of interest-free loan equivalent to the inter-state sales tax. The seven-year period for computing this loan may have to be shortened if the output is large.

The state government has also set up a number of industrial complexes for the benefit of entrepreneurs. Some complexes are already being developed at present. These include the complexes at Panchkula, Hissar, Murthal and Dharuhera. An industrial complex is being put up at Gurgaon also to cater for manufacture of electronic items. An electronics testing laboratory is currently under construction there. Another non-resident Indian has been sanctioned a watch-making unit at Gurgaon.

The state government is as well trying to attract the nearly 4,000 small-scale industrial entrepreneurs who have been recently displaced from the Anand Parbat area in Delhi. About 1,500 of these units have applied for sites at Bahadurgarh. The state government hopes that it will be able to attract many more of these entrepreneurs.

Sehgal Papers

Making the above observations at the foundation stone laying ceremony of the venture of Sehgal Papers Limited at Dharuhera —nearly 75 km from Delhi on the Delhi-Jaipur highway the Haryana Chief minister, Mr B.D. Gupta, revealed that during the current decade, emphasis will be put on the industrialisation of the state with special reference to the backward areas.

Sehgal Papers is envisaged to be a unique paper-making complex which, besides producing writing and printing paper of fine quality, will be manufacturing soft tissue paper and carbonless paper. The later two items are being imported at present. In fact, the carbonless paper will be produced at Dharuhera for the first time not only in India but also in Asia, excepting, of course, Japan. Foreign collaboration has been secured for the project from the USA on an exclusive basis and the foreign collaborators have already assured some guaranteed exports from the very start of commercial production of carbonless paper, which finds its uses in the computer industry, banks, insurance companies, hotels, business houses, airlines etc.

The tissue paper to be produced at Dharuhera will be of the soft varieties having high absorbancy suitable for toilet rolls, facial tissues, kitchen and hand towels etc.

Expected to cost Rs 16.5 crores, includiug the working capital requirements of Rs 1.5 crores, the venture is likely to go into production in regard to writing and printing paper as well as soft tissue paper by the end of next year. The manufacture of carbonless paper is expected to start soon thereafter. The entire product range is envisaged to in be the market during 1978. The licensed capacity of the company is about 30,000 tonnes per annum of all the above-mentioned types of paper.

Excellent Prospects

The profitability prospects of the venture are claimed to be "excellent." The estimated return on total investment is said to be about 24.4 per cent and on the equity share capital, after all taxation, as high as 43 per cent. The company plans to go in for public subscription soon—probably next month—and also intends approaching other non-resident Indians with a view to attracting them to invest not only in this venture but also in other Indian industries. The foreign exchange component of the project is being met by the promotor, Mr M.M. Sehgal, on his own.

Mr Baldev Pasricha, the chairman of the Industrial Finance Corporation of India, who also addressed the foundation stone laying function of Sehgal Papers revealed that his corporation wes currently providing finance to the extent of about 50 per cent of its overall assistance to industrial units, those which were located in the notified backward districts. The IFCI, he added, was laying special emphasis in its assistance programme to the development of the less-developed industrial areas in the country. Its other focus was on financing of projects of high national priority. Out of the total 845 units assisted by this corporation so far, involving an aggregate aid of Rs 600 crores, 240 projects, Mr Pasricha said, were located in the less developed areas, the assistance provided to them aggregating to Rs 200 crores.

Leather Industry

Mr T.A. Pai, minister of Industry, inaugurated the meeting of state ministers of Industry on the development of leather and leather goods production in the country. He called for emphasis to be given to the important role of the hundreds and thousands of rural artisans and producers of leather goods in the development programme for the leather industry. He wanted the leather development corporations of the states to supply quality tools, implements and machinery as well as the latest technology and techniques for improving the quality of leather products produced by these small producers and further to help them in the marketing of their produce. Mr Pai welcomed the steps to be taken to set up leather development complexes at Agra, Bangalore and other places, He said that it was desirable that the productivity of the local artisans should be tapped in a manner which may add to the mainstream of leather and leather productivity. Another important role which he recommended for the state leather development corporations was the provision of training facilities and making available the results of design and research work which should be set up by them.

The turnover of the leather industry had increased rapidly and the export of leather goods had reached a value of Rs 226 crores in 1975-76, as compared to only Rs 43 crores in 1965-66. In spite of this success, the minister felt that it was necessary to have a critical review of the industry and its present problems for involving a blueprint of action for the coming years. He called for an action-oriented programme in order to keep pace with the internal demand as well as footwear exports which had been projected at Rs 120 crores by the end of 1978-79.

Names in the News

UN Secretary-General, Mr **Kurt Waldheim**, was nominated for re-election by the Security Council for a second term after China withdrew its veto in the second round of balloting.

EXTENDED UPTO 31-3-1977

COMPULSORY DEPOSIT (INCOME TAX PAYERS) SCHEME

APPLICABLE TO

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If your non-agricultural taxable income (excluding capital gains, winnings from lotteries, crossword puzzles, races games, gambling or betting) is estimated to exceed Rs 8000/- and the aggregate of non agricultural and net agricultural income during the accounting year relevant to assessment year 1977-78 is estimated to exceed Rs, 15,100, you have to deposit a prescribed amount under the Compulsory Deposit (Income tax Payers) Act, 1974.

REVISED RATES FOR FINANCIAL YEAR 1976-77

(Assessment year 1977-78)

If your aggregate income is	Amount of Deposit will be
Rs. 15,100 to Rs. 15,620	The whole of the amount exceeding Rs. 15,000
Rs. 15,621 to Rs. 25,000	4% of the income
Rs. 25,001 to Rs. 70,000	Rs. 1,000 plus 10% of the amount exceeding Rs. 25,000
Above Rs. 70,000	Rs. 5,500 plus 12% of the amount exceeding Rs. 70,000

WHEN TO DEPOSIT

IF you are required to pay your last instalment of Advance Tax during the current financial year by December, make the whole of the Compulsory Deposit by December 15, 1976

If your last instalment of Advance Tax is due in March, 1977, then the whole of the Compulsory Deposit may be made by March 15, 1977.

If you are NOT REQUIRED TO PAY ADVANCE TAX during the current financial year, then make the whole of the Compulsory Deposit by March 31, 1977.

YOU HAVE THE OPTION TO MAKE THE DEPOSITS ON OR BEFORE THE DUE DATE EITHER IN ONE LUMPSUM OR IN TWO OR MORE INSTALMENTS.

WHERE TO PAY

If you have already opened an account, deposit the prescribed amount in that account

If you are required to deposit for the first time, open an account in any office of the RESERVE BANK OF INDIA or any office/branch of the STATE BANK OF INDIA or any of its subsidiaries or any of the Nationalised Banks.

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PAY CORRECTLY AND ON TIME TO AVOID PENALTY

davp 76/574

COMPANY AFFAIRS

Scindia Steam

THE WORKING results of Scindia Steam Navigation Company Ltd during 1975-76 are not so satisfactory as compared to those of the previous year which was an exceptionally good year. During 1974-75 the company earned a net profit of Rs 10.66 crores out of a gross turnover of Rs 89.64 crores while during 1975-76 the net profit has dropped to Rs 2.84 crores despite a large turnover of Rs 92.20 crores. The recession in trade, lower level of freight and charter hire rates and increase in operating expenses were by and large responsible for the company's unsatisfactory performance during the year under review. The directors have, therefore, proposed a lower dividend of Rs 3.00 per equity share as against Rs 4.80 per share paid in 1974-75. Out of the proposed dividend nine per cent will be free of tax. Besides the directors have recommended issue of bonus shares in the proposition of two shares for every five shares held. It is, therefore, proposed to increase the authorised share capital of company from Rs 14 crores to Rs 25 crores.

During the year the company has taken delivery of a liner vessel m.v. Moldova of 15,041 DWT built at a cost of Rs 5.46 crores. The vessel has been renamed "Jalaputra". Investment allowance amounting to about Rs 138.5 lakhs at 25 per cent of the cost is available in respect of this vessel for the purpose of income-tax assessment for the year provided an amount equivalent to 50 per cent of the allowance is debited to the profit and loss account and credited to reserve account. In view of this requirement, the directors have transferred Rs 71 lakhs to the investment allowance reserve with corresponding charge to the profit and loss account.

On September 22, 1976, the company has taken delivery of another vessel m.v. ARISTONOFOS of 18,567 DWT built in 1976 at a cost of Rs 953.4 lakhs. The vessel has been renamed "Jalabala".

Bulk Carrier

The company has ordered for a 76,000 DWT bulk carrier from Messrs Scott Lithgows, Port Glasgow, UK. This vessel will be delivered in the beginning of December, 1976. The company will be entitled to development rebate allowance on this vessel as the order was placed in August 1971.

The government has allotted to the company two vessels of 13,500 DWT each under construction at the yard of Messrs Veb Warnowwerft, GDR at a cost of Rs 850 lakhs each and necessary orders have been placed. The first vessel will be delivered in December, 1978 and the other in the third quarter of 1979.

The government has also allotted to the company one vessel of 20,100 DWT which is being built at the yard of Messrs Mitsubishi Heavy Engineering Industries, Japan, at a cost of about Rs 11.69 crores. The vessel is expected to be delivered in March, 1978.

The company has also placed orders with Hindustan shipyard Ltd, Visakhapatnam for the construction of four liner type vessels of 21,450 DWT each costing Rs 15 crores with deliveries scheduled in June 1978, September 1978, December 1973 and March 1979.

The company has sold the vessel m.v. Jalavishnu for Rs 69 lakhs. The vessel was delivered to the buyers on August, 11, 1976.

Hindustan Sanitaryware

Hindustan Sanitaryware has reported significant improvements in its working results during 1975-76, with production, sales and profit outstripping the previous year's performance by considerable margins. In fact a record was set up by the company in production and net profit during 1975-76. Production went up to 5,676 tonnes from 4,322 tonnes in 1974-75 while sales too registered a handsome rise by Rs 54 lakhs to Rs 371 lakhs. Gross profit was substantially higher at Rs 100.08 lakhs as against Rs 70.68 lakhs in the preceding year.

Allocations to all reserves have been enhanced. The appropriation to depreciation reserve was stepped up from Rs 13.33 lakhs to Rs 15.60 lakhs, to development rebate reserve from Rs 1.20 lakhs to Rs 5.00 lakhs and for taxation from Rs 32.30 lakhs to Rs 42.50 lakhs. The directors have recommended an equity dividend of 15 per cent as against 12 per cent paid in 1974-75.

The company has carried forward a huge inventory of finished goods as the plant was operated at full capacity but offtake in the company was poor. However, orders fro Gulf countries are very encou raging and all excess stock ca be exported soon.

The company continues be the leader in exports an during the year under revie it accounted for nearly 56 pe cent of total sanitarywa exports from India. For tw consecutive years, i.e. 1973-7 and 1974-75, the compan received export award fro The Chemicals & Allie Products Export Promotio Council for outstandin performance.

The production of met fittings in its wholly-owne subsidiary company, Som Plumbing Fixtures Limite has commenced.

Standard Batteries

Standard Batteries has r ported higher sales and profi during the year ended Ju 30, 1976. Sales during th year recorded a sharp rise t Rs 16.50 crores and it excee ed the previous year's figu by as much as Rs 4.67 cror It is significant to note th the sales have shown an i crease inspite of the dema for the automotive batteri remaining stagnant The im provement in earnings we eroded by the steep rise in t cost of manufacture of t submarine batteries—a high sophisticated product. Ste have been taken for the im provements in the productio methods and the governme has also raised the price f future supplies and hence is hoped that this will help t company to produce bett results in the coming years.

Gross profit during the ye amounted to Rs 56.04 lakhs compared to Rs 42.85 lak in 1974-75. Out of the gro profit, a sum of Rs 26.57 lak was provided for depreciati nd Rs 18.50 lakhs for taxaion, leaving a net profit of s 10.97 lakhs. After adjustnents the disposable surplus mounted to Rs 18.13 lakhs. fter providing Rs 6.50 lakhs or taxation in respect of earlier ears, the amount available or appropriations was of the rder of Rs 11.63 lakhs. Out f this, a sum of Rs 12,650 as set aside to capital reserve, hile a sum of Rs 1.25 lakhs as transferred to general eserve. The proposed diviend of Rs 10 per equity hare will absorb Rs 10.25 khs. The remaining amount f Rs 389 has been carried rward to the next year's ccounts.

The company's exports durig the year was of the order f Rs 134.27 lakhs as compard to Rs 71.76 lakhs in 1974-5 The company expects to onsolidate and expand its xport activities.

ribeni Tissues

Tribeni Tissues Ltd. has eported excellent working esults during the year ended eptember 30, 1976. Production income and profit uring 1975-76 were apprecialy higher than in the precedig year. Profit before tax ecorded a smart rise to Rs 2.35 rores from Rs 2.20 crores hile the profit after tax too egistered a handsome increase Rs 100 lakhs from Rs 85 khs in 1974-75. The total ncome at Rs 12.60 crore was s 1.21 crores more than in e corresponding period of st year. Of this increase, igher excise duty accounted r Rs 4.0 per cent, increased les volume for approximately 6 per cent changed product ix for 3.0 per cent and the alance 3.0 per cent by sales rice rise. Production for the ear at 8290 tonnes was also wo per cent higher and represented a capacity utilisation of 97.5 per cent.

The improved profit could be attributed to a significant reduction in the variable cost as a result of cost reduction exercises. This has been achieved without any lowering of the quality. The value of the materials cosumed during the year accounted for 26.0 per cent of the total income. as against 29.3 per cent for the previous year.

Increased Sales

Despite the continuing recession in the paper industry. the company's sales have been higher than last year. Besides it has been able to bring the debts down from Rs 2.30 crores as on September 30, 1975 to Rs 1.59 crores as on September 30, 1976, i.e. a reduction of 31 per cent.

The board of directors have decided to recommend payment of a dividend of 14 per cent subject to tax, on the significantly expanded capital base of Rs 6.34 crores. The dividend, if approved, will absorb Rs 87.35 lakhs as against Rs 69.16 lakhs in 1975.

A total expenditure of Rs 6.68 crores has been incurred on the 5,000 tonnes per annum expansion programme. The project is expected to be completed within the budgeted amount. Barring unforseen circumstances. the new machine is expected to commence trial production in February 1977. The new chalk plant with an installed capacity of 1,400 tonnes will be on stream in January 1977. With the commissioning of the new machines company will be entering a new phase of still mors diversified production. The increased production of speciality grades such as insulating paper, plastic-base surface paper, automotive industrial filter base paper will mean considerable additional saving of foreign exchange for the country.

Bank of Cochin

Established in the year 1928 at Ernakulam, capital of erstwhile Cochin state, the Bank of Cochin Limited was originally started with the idea of rendering financial assistance to the agriculturists and businessmen of the erstwhile Cochin state who were in those days suffering heavily under the clenches of the unscrupulous money lenders. Hence for a long lime, i.e. up to 1960, the activities of the bank were confined to the Cochin state only. In the year 1960, the bank had only eight offices situated in the key business and agricultural centres of the erstwhile Cochin state.

One of the special features of the bank is that it was the first native bank in Kerala to start foreign exchange business. The bank started foreign exchange business as far back as 1935 in order to help those native traders who were engaged in foreign trade. It is very happy to note that most of these small traders have now become big exporters from Kerala.

Only in 1960, the board of directors decided to expand its activities beyond the boundaries of the erstwhile Cochin state. Since then, the Bank opened fiftyone branches in the different parts of Kerala and one branch in Coimbatore. The bank has now sixty branch-

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es and its sixty first branch was opened in Madras early this month.

Out of the sixty existing branches, 29 are functioning in rural centres, 20 in semi-urban centres, five in urban centres and six in major cities or port towns.

Even though the bank has got at present an ambitious expansion programme, it follows the policy of "Festina Lente" which means "hasten slowly". More than enlarging its size the bank is interested in rendering efficient service to the public especially the weaker sections of the society. In order to equip the staff with the required talents, the bank has now undertaken various staff training schemes.

The bank is actively engaged in the promotion of trade, commerce, industry, agriculture and other areas, wherever the bank has established its branches. Besides the Bank is extending financial assistance to small scale industries, retail traders, self employed persons, poor agriculturists and other under-privileged sections of society.

As on October 29, 1976 the bank's deposits have reached the figure of Rs 12 crores while its working funds stood at Rs 12.88 crores. Again as on October 29, 1976 the bank's advance amounted to Rs 6.08 crores, out of which the advances to priority sector accounted for as much as Rs 4.15 crores. Nearly 52,300 parties have availed of priority sector advances.

Saran Engineering

The working of Saran Engineering Company Limited during the year ended March 31, 1976 has resulted in a surplus of Rs 31.97 lakhs. After writing back Rs 3.72 lakhs being the excess provision for gratuities for earlier years the disposable surplus amounted to Rs 35.69 lakhs. Out of this, an amount of Rs 6.67 lakhs was transferred to depreciation reserve, Rs 2.43 lakhs towards gratuity fund, Rs 15.75 lakhs for taxation and Rs 2.71 lakhs for texation relating to earlier years. The balance after these appropriations amounted to Rs 8.13 lakhs and the entire amount was transferred to general reserve. The directors have recommended an equity dividend of 12 per cent. This will absorb Rs 2.16 lakhs and will be paid out of the general reserve.

Although inflation has been contained, the cost of industrial raw materials continue to rise. However by effective controls and efficient management, the effects of the increase in costs of material and labour were largely overcome and the profitability was maintained.

News and Notes

ICICI has signed its agreement for the sixteenth line of credit of DM 10 million from the Kreditanstalt fur Wiederaufbau of the Federal Republic of Germany. ICICI has so far obtained DM 124.50 million from KfW over a period of thirteen years in fifteen lines of credit. A major portion of this amount has been utilised for assisting small and medium sized projects in the chemical, electrical and other engineering industries and for modernisation of textile mills by way of import of equipment. The new line of credit will also be used for similar purposes. Upto September 1976, 347 projects have been financed under KfW lines of credit.

The interest differential funds arising out of the margin between the rate charged by KfW to ICICI and to government of India will be made available to ICICI by government partly by way of grant and partly loan, for assistance to special projects deserving soft terms.

Tozer Standard and Chartered Ltd., the London merchant bank, established in 1973 by Tozer, Kemsley & Millbourn (Holdings) Ltd. and Standard Chartered Bank Ltd., is to become a wholly owned subsidiary of Standard Chartered.

Tozer Kemsley which holds 51 per cent of the capital will sell its shareholding to Standard Chartered for cash and it is anticipated this transaction will be completed early in 1977.

New Issues

Carbon Corporation Ltd is offering 10,80,000 equity shares of Rs 10 each for cash at par to the public, for subscription. The subscription list for this fully underwritten issue opened on December 14 and will close on December 24 or earlier but not before December 17, 1976.

The company is setting up a project at Nasik in the state of Maharashtra for the manufacture of 5000 tonnes of graphite electrodes and anodes annually. In the first phase the company would instal facilities for graphitisation and machining of electrodes/anodes and would obtain baked blanks from Graphite India Ltd, its collaborators. Later on in the second phase raw material preparation and mixing, extrusion and baking facilities would be added. This arrangement would result in early implementation of the project.

The Company has been promoted by H.L. Financial Consultants & Management Services Pvt Ltd (FICOM) and H.L. Investments Pvt Ltd. FICOM is one of the leading professional bodies in the merchant banking field. FICOM have acted as financial consultants and managers to the issue of a number o companies and are also acting as financial retainers t a number of foreign companie in the areas of corporate financial planning, informatio system and management control systems.

Technical Collaborators

Graphite India Ltd, (GIL) technical collaborators, hav been associated with the pro ject from the beginning an have also financially participat ed by subscribing to the equit shares of the face value o Rs 25 lakhs. The compan has entered into a technical cum financial collaboratio with Graphite India Ltd (GIL GIL are pioneers in India the field of graphite elec trodes and anodes manufac ture and have achieved ou standing success. Even toda they are the only manufacture of the products in the countr GIL have obtained their know how from Geat Lakes Carbo Corporation of the USA (GLCC) who are one of th largest manufacturers of gr phite products in the worl GIL have been in this field f 10 years and have two uni operating successfully– one Durgapur and the other Bangalore. GIL have manage to adapt the sophisticate technology of GLCC to India conditions and the Bangalo unit was designed on the bas of the experience gained the Durgapur unit. The kno how which GIL will be givi to CCL will therefore be which has been experiment with and perfected to optima suit Indian conditions on basis of the experience w the implementation of not one but two discrete projects — Durgapur and Bangalore.

A noteworthy feature of the company's project is its phase-wise implementation. Since certain equipment like the extruders have very long delivery periods and the collaborators have spare capacity in the initial sections of their plants it has been decided to implement the project through stepwise backward integration.

After a couple of years of operation the backward integration consisting of baking, extrusion and raw material preparation sections would be done with the resources generated by the operation of the plant itself.

Barring unforeseen circumstances, the plant is expected to commerce trial production by June 1977 and commercial production soon thereafter

Capital and Bonus Issues

Consent has been accorded to these companies to raise capital. The details are as follows:

ION Exchange (India) Limited, Bombay. has been accorded consent, valid for 18 months, to issue 200,000 equity shares of Rs 10 each at a premium of Rs 8 per share to meet part of the finance of their expansion programme.

Punjab United Pesticides and Chemicals Limited has communicated to the government its proposal to issue capital under Clause (5) of the Capital Issues (Exemption) Order, 1969, for Rs 7.5 million (inclusive of the capital already subscribed) in equity shares of Rs 10 each for cash at par, out of which shares worth Rs 3.75 million will be offered to the general public by a prospectus, to meet a part of the funds required for financing the manufacturer of malathion.

Dalal Engineering Limited, Bombay has been accorded consent, valid for six months, to capitalise Rs 1 million out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for each equity share held.

Dividends

Name of the company	Year ended		Equity dividend declared for	
			Current year	Previous year
Higher dividend				
Shree Synthetics	June	30, 1976	12.5*	Nil
Consolidated Coffee	June	30, 1976	25.0	20.0
Nelliampathy Tea and Produce	June	30, 1976	20.0	12.0
Saurashtra Cement & Chemical Industries	June	30, 1976	20.0	12.0
Aluminium Industries	March	31, 1976	8.0	Nil
Same dividend				
Dawn Mills	June	30, 1976	12.0£	12.0
Challapalli Sugars	June	30, 1976	Nil	Nil
East India Hotels	March	31, 1976	Nil	Nil
Greaves Cotton & Co.	June	30, 1976	12.0	12.0
Reduced dividend				
Sriram Bearings	June	30, 1976	10.0	12.0

*Maiden dividend £On enlarged capital.

Company Notices

THE CALCUTTA ELECTRIC SUPPLY CORPORATION LTD.

(Incorporated in England)

Notice

Notice is hereby given that the Board of Directors of this Company at a meeting held on 3rd December 1976, has declared payment of an Interim Dividend on the Company's Preference Stock for the year ending 31st March 1977, at the rate of 3% (Gross). Payment will be made on 7th February, 1977, after deduction of appropriate Indian Income Tax to those Stockholders whose names are registered in the Company's Stock Register on 30th December, 1976.

Applications for transfers received in this office upto 30th December, 1976, will if otherwise satisfactory, be registered at that date for the purpose of participation in the above Dividend. The registration of Transfers of Preference Stock in the Calcutta Register will remain suspended and the Register of Preference Stockholders in Calcutta will remain closed during the period from 31st December, 1976 to 6th January, 1977, both days inclusive.

By Order of the Board
(S.K. Niyogi)
Secretary

Victoria House
Calcutta-700 001.
3rd December, 1976.

UPPER GANGES SUGAR MILLS LIMITED

Notice

NOTICE is hereby given that the forty-fourth Annual General Meeting of Upper Ganges Sugar Mills Limited will be held on Monday, the 10th January, 1977 at 3-15 P.M. at 9/1, R.N. Mukherjee Road, Calcutta-1, for the following purposes :

(1) To receive and consider the Report of the Directors and to adopt the Audited Accounts of the Company for the year ended 30th June, 1976.

(2) To declare dividends.

(3) To elect Directors in place of Shri K.K. Birla, Shri R.K. Kanoria and Shri C.P. Dalmia who retire by rotation and being eligible offer themselves for re-election.

(4) To appoint Auditors and fix their remuneration.

As Special Business:

(5) To consider and if thought fit to pass with or withou modification the following resolution as an Ordinary resolution :

"RESOLVED that the consent of the Company be and is hereby accorded under Section 293(1) (a) of the Companies Act, 1956 to the Board of Directors of the Company mortgaging and/or charging in favour of the State Bank of India all the immoveable and moveable properties of the Company both present and future or such of them as may be agreed to between the Directors of the Company and the State Bank of India to secure the performance by the Company of the terms and conditions of the various counter guarantees executed or to be executed by the Company in favour of the State Bank of India and payment of all amounts that the Bank may have to pay or become liable to pay owing to the Bank having executed or agreed to execute deferred payment guarantees aggregating to Rs 49.63 lacs under the IDBI Scheme on behalf of the Company or renewals thereof, together with interest, costs and other charges and expenses payable by the Company to the Bank."

By order of the Board,
J.K. CHOUDHURY
Secretary

9/1, R.N. Mukherjee Road,
Calcutta-1,
the 9th December 1976.

Notes : 1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.

2. The Register of Members of the Company will remain closed from the 4th January, 1977 to the 10th January 1977, both days inclusive.

3. Shareholders are requested to notify any change of address failing which the dividend warrants will be posted to their addresses as registered with the Company.

Explanatory Statement as regards item No. 5 has been sent to the shareholders directly.

RECORDS AND STATISTICS

Plans and projections for engineering exports

Engineering exports have shown the fastest growth rate in the past decade. From a meagre Rs 29 crores in 1965-66 the engineering industry crossed the Rs 400-crore mark in exports during 1975-76. A recent survey by the Association of Indian Engineering Industry indicates that this industry is capable of doing even better and can step up exports to Rs 1000 crores by 1979, as envisaged by the Engineering Export Promotion Council. The following are the findings of the survey and the steps suggested by the exporting units for achieving the above target for export earnings:

THERE IS increasing realisation today that exports will have to play a crucial role in bolstering the country's economy. Imports of essential items such as oil, non-ferrous metals, food-grains and fertilizers will have to be offset by increased effort on the export front. India's terms of trade have deteriorated sharply since 1973-74 and the fifth Plan projection is that during the Plan perriod the trade deficit would be of the order of Rs 6682 crores.

Fastest Growth

It is in this context that exports have to be viewed. particularly the role of engineering exports. The engineering sector has shown the fastest export growth rate in the past decade. To illustrate, while overall exports from the country in the last ten years have increased five-fold, engineering exports have increased fourteen-fold. From a meagre Rs 29 crores in 1965-66, the engineering industry has crossed the Rs 400-crore mark in exports during 1975-76. The industry is capable of doing even better and is confident of doing so. Viewed in perspective, India's share in world engineering exports is but a miniscule 0.01 per cent—a share which must be improved upon.

With a view to analysing opportunity areas and identifying constraints, the Association of Indian Engineering Industry (AIEI) organised a major workshop on engineering exports in December 1975. Discussions at this workshop covered a wide range of subjects ranging from project and consultancy exports to the details of exports marketing. Arising out of the discussions, AIEI set an export target of Rs 1000 crores for the engineering industry to try and achieve by 1979. Today both government and industry are keen that this target should be strived for and achieved.

Feasible Target

Recently, the Engineering Export Promotion Counsil (EEPC) called a conference of top manufacturers and exporters. At this conference, industry struck a confident note and felt that the target of Rs 1000 crores by 1979 was well within the realm of feasibility.

Following on its last workshop, AIEI decided to approach a representative cross-section of engineering and survey the export plans and projections. This document is based on the results of this selective survey. Meanwhile, in the light of contracting position EEPC have revised the export target for 1976-77 from 500 crores to Rs 550 crores.

Purpose of Survey : Having set an export target of Rs 1000 crores AIEI considered it imperative to tackle the speeifics of the problem. If the target is to be achieved, it has to be a concerted effort by all sectors of the engineering industry. Each sector would, therefore, have to plan its export programme, identify potential, and tackle the constraints. The AIEI survey, in sum, had the following objectives :

Objectives of Survey

(1) To ascertain from selected sectors of engineering industry if they would be able to substantially increase their exports by 1978-79 to enable achievement of the Rs 1000 crore target.

(2) To ascertain that; if substantial export growth was expected, would expansion of the production capacity be necessary or would the present production base suffice.

(3) To identify constraints presently hampering quick export growth.

(4) To suggest action by industry and government to achieve the export target.

Methodology of Survey : To effectively conduct the survey, it was decided to make it representative and not exhaustive. A limited number of sectors were chosen for the study and a questionnaire issued to selected companies. Information was specifically sought on the following :

(a) Present capacity;
(b) Expansion plans;
(c) Present exports;
(d) Projected exports by 1978-79; and
(e) Requirements to achieve export target.

Selected Sectors

Besides approaching individual units, information on the above lines was sought from industry associations covering the automobile, auto ancillary, machine tools and textile machinery sectors.

The survey covers the following sectors of the engineering industry:

(a) Automobiles
(b) Auto ancillaries
(c) Bicycles and components
(d) Industrial castings
(e) Industrial furnaces
(f) Electricals
(g) Steel tubes
(h) Steel wires and wire ropes
(i) Transmission line towers
(j) Welding electrodes
(k) Compressed air equipment
(l) Batteries.

Analysis of Sample : Replies to the AIEI questionnaire were received from 61 individual units and four affiliated associations, covering the sectors mentioned above. The survey also covers export projections made by the foundry export group of AIEI.

Individual companies and member companies of affiliated associations (excluding those who sent in replies individually to AIEI) covered by the survey, have a total export of Rs 155 crores, representing 38 er cent of the overall export f Rs 408 crores from India in 975-76. The individual units hich replied to the question-aire have a total turnover of 1111 crores, and a paid-up apital of Rs 207.44 crores.

Analysis of Export Growth rojections: In 1976-77, engi-eering exports from the ountry are expected to be bout Rs 550 crores. Achieving target of Rs 1000 crores ould mean a virtual doubling value terms. Interestingly, l the sectors covered by the rvey have indicated that they ould increase their exports ore than two-fold by 1978-79. fact, the companies and filiated associations project increase in exports from 155 crores in 1975-76 to 330 crore in 1978-79.

pecific Figures

Specifically, figures given by me sectors are as follows (in ores of rupees):

) Automobile Industry
esent exports : 67.40
xports 1978-79 : 160.28
an increase of 138%

) Textile Machinery Industry
esent exports : 24.00
xports 1978-79 : 50.00
An increase of 108%

) Machine Tools Industry
esent exports : 8.50
xports 1978-79 : 15.00
An increase of 76%

) Auto Ancillary Industry
esent exports : 22.00
xport 1978-79 : 50.00
An increase of 30%

) Compressed Air Equipment
esent exports of
mpanies surveyed : 1.97
xports 1978-79 : 4.97
An increase of 178%

) Storage Batteries
esent exports of
mpanies surveyed : 4.30
ports 1978-79 : 9.82
An increase of 128%

(g) Steel Wires and Ropes
Present exports of
companies surveyed : 7.11
Exports 1978-79 : 20.35
—An increase of 186%

(h) Oil Engines
Present export of
companies surveyed : 7.88
Exports 1978-79 : 19.56
—An increase of 148%

(i) Steel Tubes
Present export of
companies surveyed : 13.71
Exports 1978-79 : 20.89
—An increase of 52%

Encouraging Response

The indications given by the companies participating in the survey are, therefore, most encouraging in that all sectors plan to double or even treble exports by 1978-70.

Capacity Expansion Needs: The survey has confirmed that, in a majority of the sectors, the present capacity is adequate to achieve the export targets. Most of the units have indicated that they have substantial unutilised capacity:

Wherever units have indicated plans for expansion, these are mostly for manufacturing a different range of items or new articles, or special items. Basically, these units are not expanding capacity for their existing range of production. To illustrate:

—the steel tubes industry has indicated that it has large under-utilised capacity.

—transmission line tower industry suffers from very low capacity utilisation for want of demand in the domestic market,

—commercial vehicle units indicate low demand and consequent under-utilisation of capacity.

—industrial casting units have large capacity to spare.

—oil engine units plan the manufacture of large engines.

—the bicycle industry does not plan expansion.

—the heavy electrical units covered by survey do not plan capacity expansion.

—the industrial furnace units have indicated plans to expand production capacity.

From the replies received to the AIEI questionnaire, it is indicated that the engineering industry does not need any significant expansion in capacity to achieve the export targets set. Wherever additional production is being planned, it is with the technology angle in view—to make products which find a ready market and which are specifically required by customers.

Thus, two aspects emerge when studying capacity expansion:

(a) Need to utilise better the existing capacity.

(b) To expand capacity only in those areas which are suggested by customer and market requirements.

Capacity Utilisation

The 1975-76 capacity utilisation levels in some of the sectors covered are as follows (in per cent):

Automobile Industry (Commercial Vehicles)	68
Steel Castings	40
Iron Castings	46
FRW Pipes/Tubes	40
Wire Ropes	65
Bicycles	56
Auto Ancillaries	82
Welding Electrodes	75
Electricals	56
Storage Batteries	63
Machine Tools	81

Requirements for achieving the export targets set by various sectors of the engineering industry must be viewed in the context of the several salutury measures taken by government to assist engineering industry in its export drive. These measures have obviated most of the difficulties hitherto faced by exporters, and the survey bears this out as exporters refer only to a few problems which are still outstanding. If these existing constraints are removed, it would faciliate the engineering industry in achieving its export target.

Inhibiting Factors

The results of the survey indicate that the major inhibiting factors in the export effort are:

(a) Inadequacy of export finance;

(b) Cost of finance for production;

(c) Lack of facilities for offering deferred payment terms;

(d) Shipping problems, such as:

(i) non-availability of shipping space;

(ii) infrequent and irregular sailings;

(iii) high freight rates;

(iv) port congestion and consequent delays.

(e) Inadequate cash compensatory support for certain items;

(f) Lack of adequate govern-assistance in export marketing; and

(g) Power cuts which disrupt export production.

These points are elaborated in the following paragraphs:

(a) Export Finance: Many units, notably transmission line tower manufacturers have indicated that non-availability of finance, especially in the form of bid bonds and performance guarantees, has been a major problem. Recently, the Reserve Bank of India has advised the scheduled commercial banks to liberalise facilities available to exporters, but the problem of non-implementation by individual branches of banks persists.

Another problem faced by exporters is that the interest free advance available to them against their drawback claims is clubbed with their packing credit limits. This lowers the credit availabillty to exporters considerably.

The duty drawback credit scheme has brought to light yet another problem. There is delay at times by the customs in settlement of drawback claims as a result of which the 90-day period for interest-free advance does not suffice. Banks are reported to be charging rate of interest applicable to packing credit advance for the whole period if the settlement is not made in 90 days.

The AIEI survey also indicates the need for further liberalisation of packing credit — the period for which the packing credit is available should be increased to one year in the case of capital goods and 180 days in the case of other types of goods. There is also need for lowering the rate of interest on packing credit.

Procedural Delays

Some of the units have also indicated procedural delays in obtaining packing credit.

(b) Cost of Finance for Production: The survey indicates that the engineering units are also adversely affected by the present high cost of finance for production. For example, some units have pointed out that in order to cater to export orders at short notice, they have to carry extra inventories in view of uncertainty of supplies. For this more liberal bank credit is neccessary.

(c) Lack of Facilities for Deferred Payment Terms: The textile machinery units and exporters have expressed the need for better facilities to offer deferred payment terms to customers. Many of the developing countries are potential buyers of engineering goods from India, provided the facilities for offering deferred payment terms ore enhanced.

Buyers' Credit

In addition to deferred payment terms, buyers' credits need to be offered to many countries. This facility is again available in a limited way and this affec's exports.

(d) Shipping; The survey has brought out clearly that various problems pertaining to shipping have adversely affected export efforts in the past and are likely to do so in future. The units covered by the survey have indicated that the following issues connected with shipping need to be resolved to enable quick grown in exports.

(i) Non-Availability of Shipping Space: The survey shows that many potential markets for Indian engineering goods cannot be effectively exploited for want of adequate shipping space, infrequency of sailings and irregularity in sailings.

Specific problem areas are non-adequacy of sailings to Nigeria and other West African ports, Philippines, Indonesia and even West Asian ports. Further, aggravating the problem is the frequent changes in shipping schedules to these ports.

Some commercial vehicle units have pointed out that there is a problem of inadequate under-deck shipping to distant markets such as the West Indies also.

(ii) Irregularity of Sailings: The problem of infrequent sailings is aggravated by frequent and short-notice changes in sailing schedules. Some of the units have even lost out on some export contracts as there were several changes in sailing schedules.

This problem of changes in sailing dates could be attributed to non-availability of cargo data with the shipping lines. Sailings are often postponed repeatedly as cargo expected is not available.

(iii) High Freight Rates: The survey shows that while Indian engineering goods are competitive on a f.o.b. basis in the export markets, the high incidence of freight takes away the competitive edge. In several cases, Indian freight rates are much higher than the freight paid by competitors. To illustrate:

Shipping Problems

— Incidence of shipping freight on export of machine tools to West Europe, USA and Canada varies from 15 to 40 per cent of the f.o.b. price.

— Industrial castings exporters have to pay a freight which averages to 40 per cent of the f.o.b. price.

— Similar freight disadvantages are suffered by exporters of other commodities also.

There is a strong case for freight subsidy, on a selective basis.

Another related problem pointed out by exporters is the frequent increases in freight rates especially to Iran and the USA.

(iv) Port Congestion and Consequent Delays: This is a serious problem effecting all engineering exporters. The worst affected and heavily congested ports are Khorramshehr, Jeddah, Lagos, Basrah and Dammam. Indian ships do not get berths for months and this seriously delays deliveries and increases turnaround time for ships.

(v) Demurrage: Often exporters have to pay heavy demurrage due to delay in the despatch of documents to destination ports.

(e) Inadequacy of Cash Compensatory Support: The following sectors of engineering industry covered by the survey feel that there should be an enhancement of the cash compensatory support to be more competitive in the international market:

(i) **Machine Tools** — Cash assistance to increase from 20 per cent to 25 per cent.

(ii) **Steel Castings** – Increase needed from five per cent to 25 per cent.

(iii) **Oil Engines (20 BHP)** - Increase needed from 17.5 per cent to 20 per cent.

(iv) **Tractors** — Cash assistance to be raised to 25 per cent.

(v) **Wire Ropes** — Cash assistance to be raised to 25 per cent.

Cash Assistance

Similar cash assistance increase has been sought by steel tube units, auto ancillary units, etc. This would imply that review of cash assistance. on a selective basis, is called for.

(f) Government Assistance for Marketing Effort: Units covered in the survey have indicated that for an effective thrust in the overseas markets, government assistance is required in the following areas:

(i) Marketing assistance for setting up overseas after-sales service centres.

(ii) Five per cent of the fob value of exports to be allowed for warehousing facilities abroad.

(iii) Commission payable to local agents is presently limited to five per cent—flexibility is called for on this percentage.

(iv) Adequate MDF assistance needed for opening business offices abroad.

(v) Financial assistance needed for goods meant for display in overseas fairs. This assistance is needed at the pre-shipment state itself.

(vi) Liberalisation called for to enable replacement of parts on "free of charge" basis on warranty claims.

(g) **Power Cuts Affecting Production**: The units in the western part of India are affected by the power cuts prevailing — this has slowed production and made it difficult to adhere to delivery commitments. This has even led to cancellation of orders in certain cases.

In addition to the above points which have been deduced from the AIEI survey, there are other constraints which also need attention. For example, duty drawback rates need rationalisation in some commodities; railway freight subsidy for exporters is necessary, etc.

Technology & Export Production Inputs: While the survey has revealed that, generally, capacity is no constraint in exports, some sectors have pointed out the need for updating Indian technology to be competitive in the international market. There are also areas where quality of raw materials need drastic improvement to ensure competitiveness in exports.

(a) **Machine Tool Industry**: The machine tool manufacturers abroad are vacating areas of general purpose machines and wish to have these machines manufactured in India for export to third countries. Obtaining industrial licence, approval for foreign collaboration and import of capital goods, all take considerable time and it is, therefore, difficult to sustain the interest of foreign parties in collaboration proposals.

Obtaining Customs Clearance Permit to import drawings on which machines are to be designed also takes time and simplification of procedures is called for.

Import of prototypes and samples is essential for product adaptation — necessary facilities for this should be extended to industry.

(b) **Foundry Industry**: This industry is seriously affected by the poor quality of the two basic inputs, namely pig iron and coke. The quality of castings is consequently not as good as it should be. The industry's needs of raw materials of proper quality need not to be overemphasised.

Technological improvement in production methods is also essential in specific areas of foundry industry. Only with higher productivity and better technology can the export of industrial castings be accelerated.

1. The engineering industry will be lead sector in the country's export efforts. It will be imperative for the industry to maintain a high growth rate in exports.

2. The target set for engineering exports is Rs 1000 crores by 1979. This target is not unrealistic and can be achieved.

3. The engineering industry

Department of Atomic Energy

On behalf of the President of India, the Director, Directorate of Purchase and Stores, Department of Atomic Energy, Bombay invites tenders as detailed below :

(1) DPS/TTP/PPF/2 due on 18.1.77. Supply of Gun metal Peet valve heavy conforming to IS/778 and tested to 300 psi in various sizes as per purchasers' tender specification.
(2) DPS/NAPP/PPF/31 due on 20.1.77. Supply of Seamless Stainless Steel Pipes as per purchasers' tender specifications.
(3) DPS/AMD/IEE/50. due on 24.1.77. Mixer-mill for mixing quantities. 1 No.
(4) DPS/POL/81 due on 30.12.76. For liquid Toilet Soap to ISS 4199—60,000 Litres.
(5) DPS/AMD/IEE/51. due on 24.1.77. Rock-mineral Grinder and Blender. 1 No.
(6) DPS/NAPP/PPED/ENG/72 due on 1.2.77. Roller Bearings of various types and in large quantities. Import licence will be provided by us if necessary. Qty. 306 Nos.
(7) DPS/BARC/CAP/2339 due on 12.1.77. Washing machine side loading type capacity: 150 Kg. as per Purchaser's specification. 1 No.
(8) DPS/RRC/ELE/89 due on 21.1.1977. Mineral Insulated Stainless Steel sheathed Chromel Alumel Thermocouples of sizes 1.0, 2.0 & 4.0 mm as quantity: 651 Nos.
(9) DPS/PREFRE/EEQ/60 due on 28.12.76. Supply of 150 H P. and 180 H.P. 3 phase, slip ring induction motor 2 Nos. each as per specification.
(10) DPS/RRC/IEE/203 due on 29.12.76. Remote Control Micrograph 1 No.
(11) DPS/HWP/MIA/408 due on 25.1.1977. Electronics Test Bench, Pneumatic Test bench, work bench etc. 8 units
(12) DPS/BARC/MIA/9774 due on 19.1.77. Medium/High Frequency Induction Heating Power Source and coil for heating carbon steel rings as per the drawings Carbon steel ring is to be heated upto 800°F to work on 400/440V 3 phase 50 C/S 1. No.
(13) DPS/PREFRE/CAP/63 due on 20.1.77. Boiler tubes cleaning machine portable type equipped with motor, flexible shaft, trucks head brushes etc as per purchaser's specification 1 No.
(14) DPS/NFC/CAP/388 due on 17.1.1977. Rotary Piston type mechanical Vacuum pump, pumping speed. 350 M^3. hr (approx. 5500 litres/min.) as per Purchaser's specification. 1. No.
(15) DPS/RRC/FAB/153 due on 31.12.76. Machining and edge preparation of CR-80 Rails conforming to IS: 3443 as per Purchaser's specification and drawing. 34 Nos
(16) DPS/NAPP (PPED) EEQ/32 due on 27.1.77. Design manufactures testing and delivery of 220 KV isolators as per specification.
(17) DPS/RRC/FAB/152 due on 24 1 1977. Manufacture and supply of Tiny Pressure Vessels as per Purchasor's specification and drawings. Qty. 7 Nos.
(18) DPS/TAPS/FAB/11 due on 14.1.1977. Manufacture, inspection, testing, delivery and guarantee of the following items as per Purchaser's specification and drawing :
(i) Metallic Insulation for Heat Exchange Qty: 29 Mtrs. approx
(ii) Spare Metallic Insulation. Qty. 3 Nos
(19) DPS/NFC/CAP/395 due on 11.1.1977. Deep hole drilling machines for solid drilling upto 50 mm in steel, as per purchaser's tender document. 2 Nos.
(20) DPS/BARC/FAB/117 due on 5.1.77. Fabrication and supply of Bipolar electrode plates as per Purchaser's specification and drawing. 130 Nos.
(21) DPS/NFC/CAP/420 due on 28.2 1977. 180 mm dia tube straightening machine complete with inlet stillage, tube dispensing unit, inlet through, outlet discharge pinch roll outlet trough, automatic discharge and collecting cradles as per purchaser's tender document. 1 No.

Tender documents priced Rs. 10/- each for items at S. No. 1,2&3, 15/- each for items at S No. 4&5, Rs. 20/- for items at S. No. 6 and Rs. 25/- each for items at S. No. 7 to 14, Rs. 50/- each for items at S. No. 15 & 16, Rs. 100/- each for items S No. 17 to 20 and Rs. 200/- for items at S. No. 21 and General conditions of contracts priced Re. 0.50 P. each accept for items at S. No. 15, 17,18 & 20 can be had from the Finance and Accounts Officer, Department of Atomic Energy, Directorate of Purchase and Stores, 3rd floor. Mohatta Building, Palton Road, Bombay-400 001 between 10 a.m. to 1 p.m. on all working days except on Saturdays. Tender documents and General Conditions of contracts will however be issued upto 7.1.77, 14.1.77, 13.1.77, and 22.2.77 for items at S. No. 7, 13, 14, 19 & 21 respectively. Import Licence will be provided except for items at S. No. 4,9,11,12,15,16,18 & 20 only if the items are not available indigenously. Tenders will be received upto 3 p.m. on the due date shown above and will be opened at 4 p.m. on the same day. The right is reserved to accept or reject lowest or any tenders in part or full without assigning any reason. davp 645(329)76.

is confident of achieving a doubling of exports in the next three years. Production capacity with the industry is generally adequate for achieving the export target. Only in some selected spheres there is need for increasing capacity.

4. Most sectors of the engineering industry aim to increase exports more than twofold.

5. To be competitive in the world markets on a sustained basis, it is essential that the engineering industry is technologically up-to-date. For this, modernisation must be a continuing process and government can encourage this in a systematic manner,

6. Adequate funds must be made available to industry on soft terms for modernisation. The government steps already taken in this direction need further augmenting.

7. Industry, on its part, must be always keen to innovate, adopt and adapt to make its products most acceptable to the overseas buyers. There is need for study, in detail, of the technical requirements of major potential importing countries. The concepts of value and design engineering need to be fully understood and utilised to overcome stiff international competition.

Critical Inputs

8. In certain industries there is good potential for exports but the quality of inputs is a major hurdle. For instance, the iron castings industry is starved of good quality pig iron and coke. If the export potential of this and other industries is to be fully exploited, a systematic analysis of the inputs required is essential and these must be made available in full measure to the right quality.

9. The exporting community will not succeed in keeping to its commitments if critical imputs like power are curtailed. Export production capacity is there but constraints need to be removed for proper capacity utilisation.

10. Government policy to liberally allow imports of raw materials needed for export production is welcome. In the light of the increased availability of foreign exchange, the policy for imports needs liberalisation. A proper study of the areas where such liberalisation is most needed, must be made.

11. Present procedures, though simplified greatly, are still time-consuming in several cases. Time is of the essence for export and there is, therefore, need for further streamlining procedures to cut down the time needed for obtaining essential inputs.

Export Finance

12. The exporting sector has been considerably benefited by the several steps aimed at liberalising export finance. The survey reveals, however, that a further liberalisation is essential to capture major markets. Some of the specific requirements of the engineering industry are :

(a) Lowering of rate of interest on packing credit;

(b) Extension of the minimum period of packing credit to 180 days;

(c) Provision of liberal buyers' credit on a selective basis;

(d) Simplification of procedures for export on deferred payment basis.

13. The survey has revealed that shipping is one of the most serious constaints exporters are faced with. The problem has several angles, such as inadequancy of shipping space, frequent changes in shipping schedules, high freight rates, port congestion overseas and lack ofproper infrastructure at Indian ports.

14. Industry welcomes the setting up of a government committre to study all aspects of the shipping problems of exporters. Some specific areas which need attention are :

(a) The need for introducing containerisation facilities, at least in one major port, such as Bombay. This would increase productivity of dock labour, decrease loading time and lower costs.

Containerisation

(b) Indian shipping industry must keep abreast of international development and RORO ships ("Roll on, roll off") must be developed to beat the problem of heavy congestion in overseas ports.

(c) Promotional freight rates and freight subsidies are imperative, at least on a selective basis to enable Indian exporters to capture markets, especially in the developed countries.

(d) The LASH system for shipping engineering items such as steel tubes must be introduced.

15. The level of cash compensatory support and drawback rates are, by and large, adequate. This survey indicates the need for a selective review.

16. Government's decision to maintain the level of cash compensatory support steady till March 1979 will help the export efforts of engineering units considerably.

17. The several government measures in support of engineering exports have brought the industry to an effective take-off point. It is for industry to launch a major marketing drive. If the level of Rs 1000 crores is to be reached, the following aspects should be considered :

(a) Adoption of consortium approach to capture large value contracts.

(b) Greater concentration on securing turnkey assignments.

(c) Furtber exploitation of sub-contracting possibilities.

18. Permanent presence is required in overseas markets. The concept of opening business offices, funded by a group of companies, mnst be adopted. Such a business office will be able to make a concerted thrust in the target market.

19. Greater participation in specialised overseas fair is necessary uot only to project Indian engineering capabilities but also to study the products offered by competing countries Such participation needs to be organised on a highly professional basis.

Customer Services

20. To enable Indian exporters to establish their credentials in the overseas markets, much greater flexibility is needed in the area of supplying spares to customers using Indian equipment, not only during the warranty period but at any time when repairs are involved. This would enable the exporter to earn the customer's goodwill.

21. Liberalisation of procedures is called for in providing local hospitality to visiting overseas buyers. A certain percentage of a company's exports must be automatically permitted for such promotional efforts, without having to go through RBI formalities.

22. The Marketing Development Fund must be more effectively put to use in promoting Indian engineering exports. There is need to streamline procedures and cut down delays in processing applications.

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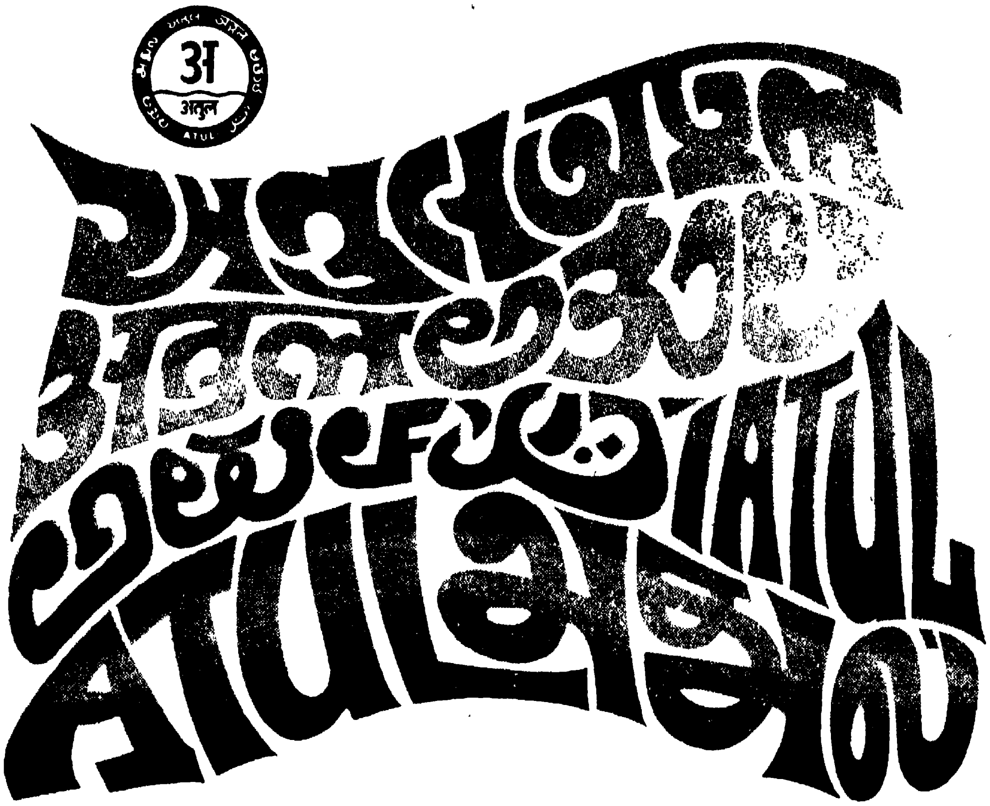

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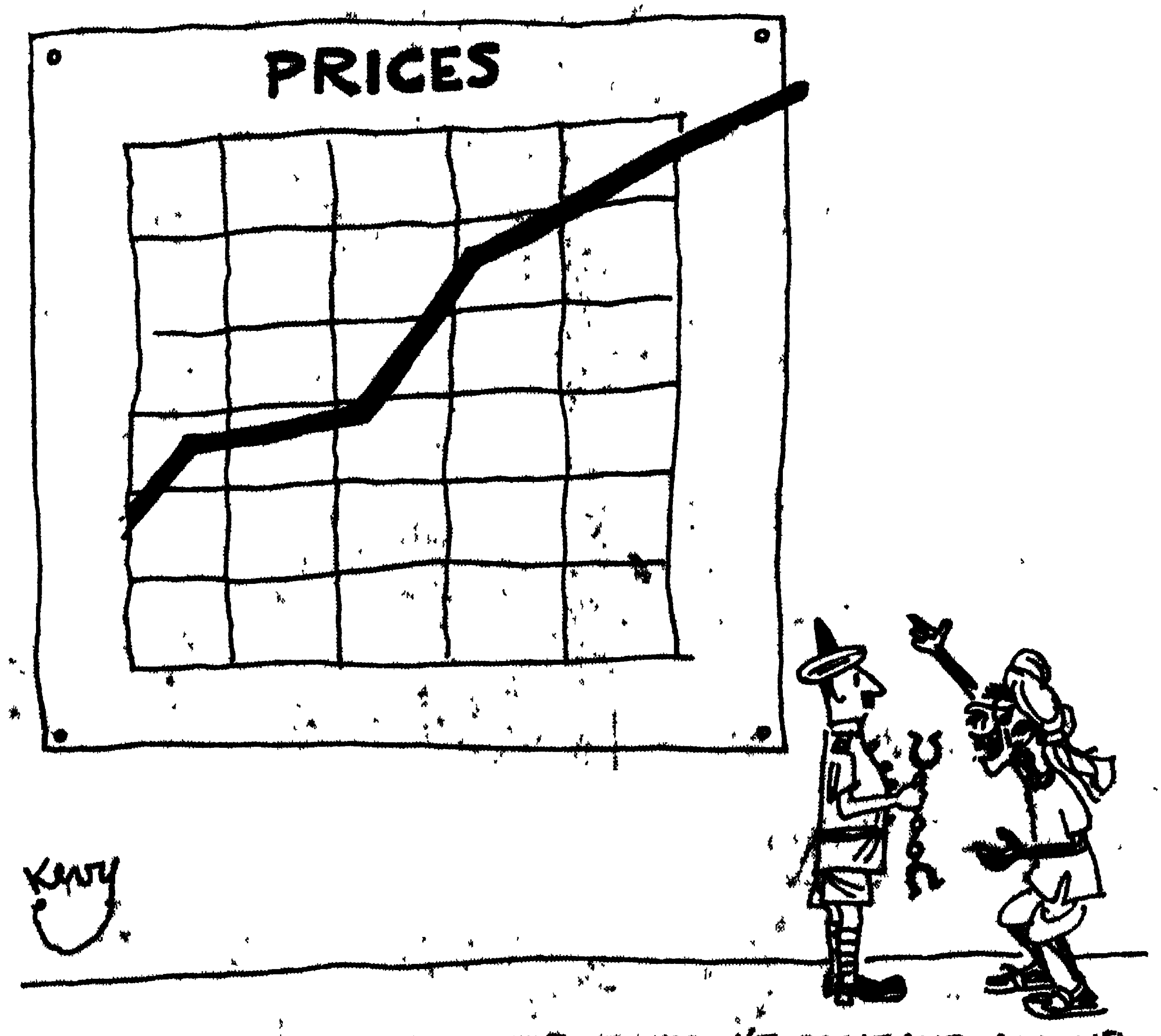

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OL. 67 NO. 26 DEC. 24, 1976
Price Rupees Two

eading Articles

e-Budget Parleys 1213
dieu to Rupee Trade ! 1214
utlook for Engineering Industry 1215
nerals and Their Export Prospects 1216

oint of View

oint Ventures Abroad: Some Lessons
Subhash J Rele 1218
old of Irrigation on Farm Economy
Gujarat—N T. Patel & N.V. Namboodiri 1220

Vindow on the World

ssistance to Developing Countries
Maurice J. Williams 1224
Practical Approach to Fisheries
evelopment—M. Zaki Azam 1226
orld Grain Stocks Replenished
Courtesy Bank of Montreal 1230

radé Winds

il Price Hike; Central Rule in rissa; Manufacture of Sponge on; Tariff Values for Gases; urb on Money Supply; Arc urnace Units; Aluminium Technology; Use of Non-Cotton ibre; EEC Assistance; Indo-zech Cooperation; Milk Proucts Plant; Indo-Polish Joint ommission; Slurry Pipeline; nit Trust Sales Competition; isk Capital Foundation Loans; mport of Textile Machinery Reented; Iron and Steel Exports 1231-1235

ompany Meeting

he Scindia Steam Navigation o. Ltd. 1236

ompany Affairs

rooke Bond; Bank of India; omany Pilkington's; Shree Synetics; Consolidated Coffee; ews and Notes; New Issues; apital and Bonus Issues; ividend 1237-1240

ecords and Statistics

Vholesale Prices; Money Supply vith the Public; Reserve Bank of ndia; Scheduled Banks' Business in ndia; Consumer Price Index Numbers or Industrial and Urban Non-Manual Workers 1241-1244

Pre-budget parleys

THE UNION Finance minister, Mr C. Subramaniam, has had a series of meetings recently with economists, businessmen and industrialists to discuss the state of the economy and to seek clues for the solution of such problems as continued rise in prices, sluggishness in industrial production in some sectors, stimulating exports and encouraging savings and investments. Such exercises are indeed welcome as they offer an opportunity to the government to get a glimpse of the way others look at these pressing economic problems though it may not be possible for it to accept or implement in all cases the suggestions put forward. The discussions clearly pointed out that both the government and the participants were indeed worried about the unchecked increase in prices since March this year and it was felt that the next budget could certainly be used as an instrument not only to slow down the upward movement of prices but also to hasten the pace of industrial production.

It was not that prices in general had risen. The fact of the matter was that in certain sectors the supply of goods had fallen far short of demand leading to sharp increases in prices. This was particularly true in the case of oilseeds and oils wherein the increase in prices between March and November this year had been of the order of more than 50 per cent. Surely, the imbalance in this sector can be rectified only by timely imports to supplement the domestic stocks. In fact, it should be possible for us to restore equilibrium through imports in any sector of the economy because the foreign exchange position has been extremely comfortable since the beginning of the current year. It will need constant vigilance on the part of the ministries of Finance and Commerce, and utmost harmony in the coordination of activities for not allowing serious shortages to raise their head in any sector of the economy.

The present shortage of cotton in the country at more than a million bales has pushed up its prices; it is proposed to be tackled by increased use of imported polyester fibre and viscose staple fibre by textile units. The import of these non-cotton fibres has rightly been put on the open general licence with exemption from import duty. It has been estimated that these fibres will cost less than the equivalent quantity of cotton. The department of Textiles has made it obligatory for the cotton textile units to use at least 10 per cent non-cotton fibre. And the rise in sugar prices has every chance of being curbed by enhanced output in the current season and increased releases for consumption in the coming months.

There is a feeling in some quarters that the recent fast expansion in money supply has been the villain in pushing up prices. This is an erroneous impression because since the emergency in June 1975 there have been certain periods when despite increases in money supply, the prices were, in general, falling. The tight credit policy has been a restraining influence in the expansion of money supply. If this is further tightened, there is every possibility of many small and medium industries being severely hurt. Already, many units have suffered heavy losses and have been obliged to shut down their operations partly. Any further restraint on money supply will have an adverse effect on certain sections of industry which have been suffering under the spell of the recessionary tendencies for the last two years. Even the cotton textiles industry has been severely hit by the absence of demand and any contraction in money supply is bound to give it a further jolt. The finalisation of the fifth Plan document in the wake of price stability has assumed an increased outlay in the last years of the Plan period which in turn was expected to increase the supply of money and its liquidity. The government cannot blow hot and cold simultaneously. Having taken the decision to implement the Plan in a bold way, there can be no going back on it unless the unsavoury trends really assume sizeable proportions.

The capital market has been shy and continues to be so. The economists who advocated enhanced investment in the public sector were right in assuming that it would give a shot in the arm to the private sector activities as well. The Finance minister urged the private sector units to speed up their production though he was against providing them with any additional tax concessions or incentives. While the newspapers have made it look as if he had hit out at the private sector, a careful study of the reports showed that it was not so. In fact, he was anxious that the tempo of industrial production built in 1976 should be maintained next year as well.

While the reduction in personal income-tax rates has resulted in inflating yield from this source, the corporate sector's plea for similar treatment has fallen on deaf ears so far. The latest trends in tax collection from direct and indirect taxes have been buoyant and it is certainly desirable that the government should examine the feasibility of giving tax relief to the corporate sector. The heavy burden of taxes on the corporate sector has not a little to do with the capital market being lifeless at present. Surely it is preferable to collect additional tax revenue through increased production at reduced rates of taxation rather than through increased rates of taxes made applicable to shrunken output. The Finance minister had better get studies conducted by the Department of Economic Affairs to find out if relief in this sector would not be both healthy and productive.

Adieu to rupee trade!

It is significant that the union ministry of Commerce has not only received with equanimity the proposal of the deputy minister for Foreign Trade of Hungary, Mr Istvan Torok, during his visit here a few days ago, for the switch-over of Indo-Hungarian trade from rupee payment to payment in convertible currencies but has also assured him that the proposal would be considered seriously. Feelers for such a change-over were given when our minister of Industry, Mr T.A. Pai, visited Budapest in April last, but the two sides at that time had agreed to examine the idea of progressive conversion of trade between them to a multilateral payment system in a phased manner. Mr Torok's plea goes a step further than the April understanding. What Hungary now desires is complete switch-over to multilaterism from 1978, up to which period a new trade protocol has been signed during Mr Torok's visit continuing the rupee payment arrangement. The idea appears to be that during the course of the next year, the two sides would thrash out the issue.

If Mr Torok's proposal is acceded to, Hungary will be the second east European country with whom we will have multilateral payment arrangements. The first such country which opted out of the rupee payment framework was Yugoslavia with which we are having for the past five years trade relations on the basis of convertible currencies. Hungary, of course, is not the only country within the COMECON which has proposed ending of the rupee trade arrangement Poland has also thrown hints for switch-over to the multilateral payment system, but this proposal has not been followed up as yet as vigorously as the Hungarian one. Similar requests from the other COMECON countries, barring perhaps the Soviet Union which was the first country with which we entered into rupee payment arrangement, can be expected to follow suit in none too a distant future.

The rupee payment arrangement between the east European nations and our country, indeed, has been very helpful in increasing trade exchanges and fostering economic collaboration between the two sides over the past two decades. This should be evident from the fact that trade turnover between the east European countries and our country grew from a bare Rs 6.65 crores, out of a total of Rs 1140.7 crores, in 1953-54 to as much as Rs 1,334.5 crores, out of a total of Rs 7,772.2 crores in 1974-75. The complementarity of the economies of the two sides helped in building up trade relations between them rapidly, especially at a time when this country was facing ac foreign exchange difficulties. Through t mechanism of rupee payment, whi virtually amounted to bilateralism as t trade between us and the individual cou tries of eastern Europe had to be bala ed over a period, if not every year, could meet many of our requirements equipment and technical services from t east European nations in exchange increasing purchases by them of our p ducts. But for the rupee trade arran ment, it might not have been possible us to accelerate the pace of econom development as well as diversification our economy, taking into consideration, course, the fact that there was a limit which external aid from the western ec nomies as well as world financial instit tions could be available.

But all mechanisms have their validi for particular periods. In this fast chan ing world, nothing can remain static. therefore, Hungary has now proposed switch over to the multilateral payme system in our trade with that country, apparently is the result of the process evolution.

material change

During the past two decades n only have we been able to diversi our economic activities vastly, necessita ing a change in our requirements, b also Hungary and the other east Europea countries whose requirements too hav undergone a material change. To som extent, these changes in requirement undoubtedly, have been taken note of i the various trade and economic cooperation protocols that have been signed between us and Hungary and other ea European countries in the recent year but the growth in trade has apparentl been inhibited to no small extent by th strait-jacket of rupee payment arrangement. In the case of Indo-Hungaria trade, the total turnover this year is expected to be just Rs 45 crores, as agains Rs 42.5 crores in 1975 and Rs 37 crore in 1974. Although the trade protoco finalised during Mr Torok's visit here fo 1977 envisages that the two-way trad would go up to Rs 71 crores, it remain to be seen whether this level will b achieved during the course of the year notwithstanding the fact that this trad otocol proposes exchange of increased umber of commodities by the two counies.

The competitive position which we have hieved in the international markets for any of our non-traditional products, rticularly of the engineering industry, ould evoke optimism that our exports these items do not now require in any rge measure the props of bilateralism. he difficultiies which some of the east ropean countries such as Hungary rrently experience in pushing up their ports to this country in order to balance eir sales with their purchases from here ise out our dwindling requirements of achinery and equipment and increased quirements of various industrial raw aterials. This has been having its impact n our trade with several east European ountries. Further, we have been having r quite some time a surplus balance our trade with the east European ountries, although to some extent this is ue to the fact that east European financial assistance to us has to be paid for in ur exportable goods.

In view of our improved competitive position in the international markets, there need not be any misgiving that our trade with the east European nations will suffer a setback if it is conducted in future on multilateral payment system. The experience of our trade with Yugoslavia is a clear indication of this. Our trade with Yugoslavia has started growing again after an initial setback. Multilateral payment system between Hungary and our country can be expected to yield similar results.

Moreover, thanks to the vastly increased remittances by Indians abroad, the encouraging export trends and considerably reduced imports of various products, particularly food, fertilizers and metals, we are currently comfortably placed as regards foreign exchange reserves. Therefore, there should not be any difficulty in switching over to multilateral trade with the East European countries. A switch-over to multilateral payment system should as well help in injecting competitiveness and rationalisation in the prices of the goods exchanged by this country with the east European countries leading to mutual advantage.

Outlook for engineering industry

HE ASSOCIATION of Indian Engineering ndustry (AIEI) recently conducted a urvey regarding the various aspects of the orking of the industry as well as its roblems relating to export promotion. he findings of the survey do not seem to ave revealed any new facts or trends but, ven so, the government of India and he state governments should give them areful consideration in view of their mmense employment potential. The urvey has shown that capital utilisation ontinues to be low in several industries uch as commercial vehicles, steel castngs, iron castings, wire ropes, storage atteries and bicycles. It could have robed in some detail into the reasons for he existence of such idle capacity. It ould have analysed to what extent the mplementation of the five-year Plan has elped industries to secure more orders n a regular basis and at remunerative prices. It could also have examined the problem of unused capacity from the regional angle. Industries in the eastern region have been complaining of recessionary conditions to a greater extent than those of other regions. The wagon and automobile manufacturers and their ancillaries have been hit hard due to the lack of adequate demand. It will be useful to know how their prospects stand in the context of the revised fifth Plan which envisages substantial step up in expenditure in many major areas of economic activity. The AIEI could have also examined capacity utilisation in respect of the public sector and the private sector. That would have given a more realistic picture of the state of the engineering industry in the country.

The survey has stressed the need for expediting the programme of modernisation of the engineering industry. It has suggested that adequate funds should be made available to the industry on soft terms for modernisation. At the same time, it is also important to ensure that the industry is able to generate its own resources to a greater extent. This will depend largely on the system of corporate taxation as well as on the pricing policies of the government of India. Many constructive proposals have been made recently for the reform of corporate taxation, which will enable industries to improve their financial position without affecting the revenues of the government. Mr Subramaniam, the union Finance minister, who has shown pragmatism in regard to personal taxation may be expected to extend it to corporate taxation in his next budget. It is relevant to point out that reduction and rationalisation of corporate taxation will also help the engineering industry to reduce its costs of production and improve its capacity to compete effectively in the markets of the world.

export target

The survey has expressed optimism about the engineering industry's ability to achieve an export target of Rs 1000 crores in 1978-79 as compared to Rs 550 crores estimated for 1976-77. It has reiterated some of the well-known impediments to export promotion such as inadequancy of finance and deferred payment facilities, high freight rate, port congestion and so on. The government of India has repeatedly assured the industry that its difficulties in regard to export will be given prompt and sympathetic consideration. But it seems that New Delhi's decisions are not being properly implemented. For instance, the AIEI has said that some branches of banks are not carrying out the Reserve Bank's directive to provide more credit to exporters on easy terms. Such complaints have been made before and therefore the Reserve Bank should take appropriate steps to ensure that the banks do play their part in the promotion of engineering goods exports. The industrial development Bank of India (IDBI) has been recently restructured with a view to providing adequate financial assistance for export. But it seems that the IDBI also has not been prompt in offering export assistance. The AIEI has pointed out some specific instances where exports have been hit due to lack of financial support, such as transmission line towers and textile machinery.

The AIEI has urged the government to enable the engineering industry to set up consortia for promoting exports. Prof. Chattopadhyaya, the union Commerce minister, and Mr. T.A. Pai, the union minister for Industry, have been urging the industry to adopt the consortium approach so that it can meet foreign competition more successfully. But unless the government adopts a more helpful policy, the consortium method is unlikely to prove effective. The AIEI has disclosed that, in a recent case the union Commerce ministry has asked a consortium to coordinate with an individual firm outside the consortium. It has suggested that consortium prices should be known only to the consortium committee and secretariat and should not be published, circulated or declared. It remains to be seen to what extent it will be possible to observe these principles strictly. Attempts to form consortia in the past have not met with much success. The government and the AIEI should therefore jointly examine all the relevant issues and evolve an appopriate strategy so as to popularise the consortium approach.

Meanwhile, it is worthwhile to enquire why a large number of engineering units have not been keen to export. According to a survey by the Engineering Export Promotion Council, 100 top manufacturers exported only about nine per cent of their production last year and another 100 firms just one per cent of their output. The Engineering Export Promotion Council has been actively working for nearly two decades and it has also been enjoying substantial official support in various forms. How then has it not succeeded in creating sufficient interest and enthusiasm among a large number of engineering units to sell their products abroad? It is also relevant to enquire whether the Engineering Export Promotion Council and the AIEI are working in close cooperation with each other in developing exports. It is important to emphasise this aspect since the industry is facing many challenges in the world markets and can therefore hardly afford to dissipate its scarce resources.

Minerals and their export prospects

THE INAUGURATION of the Visakhapatnam Outer Harbour, costing over Rs 97 crores, by the union minister for Shipping and Transport, Mr G. S. Dhillon, brings into sharp focus the immense possibilities for stepping up exports of iron ore from different ports in the southern region. Even though massive rich deposits are available in Bihar, Orissa and Madhya Pradesh, the bulk of the export trade in iron ore will be handled by Visakhapatnam, Madras, Mangalore and Marmagao. Paradeep in Orissa however bids fair to be another major port for iron ore export though it will take some time for the necessary infrastructure facilities to be developed.

The demand for modernising loading and berthing facilities at Visakhapatnam has been persistent from the Japanese interests as it was on this basis that the huge deposits in Bailadilla area were proposed to be exploited. There were indeed rapid developments up to a particular stage with the mechanisation of Bailadilla mines, the construction of a new railway intended exclusively for the movement of iron ore and expansion of the capacity of the Vizag port. The movement of iron ore from the Kiriburu mines developed with Japanese assistance for exports was suspended as the iron ore mined from this area was required for the steel plants.

The later developments, however, did not take place equally vigorously and iron ore exports could not be stepped up at the desired rate through Vizag either because of slow progress at Bailadilla or in mechanisation of loading facilities and the development of berthing capacity for huge bulk carriers. The complaints i this regard have now been removed a 100,000 tonne bulk carriers can bert alongside and there will be no period waiting as these vessels can be loaded a the rate of 8000 tonnes per hour whic can be even doubled to 16,000 tonnes b 1980. The volume of export in 1975-7 was 4.76 million tonnes and this can b nearly doubled to eight millon tonnes i only output can be stepped up at Baila dilla and the railways can handle th larger traffic. Eventually it is intended to increase the unit value of exports b installing pelletisation plants with capacities of two million tonnes annually i the mine area.

Madras experience

While the Visakhapatnam outer harbour will be handling a larger volume of exports than Madras, the outer harbour in the latter centre has been in operation for some years now and the experience gained in its construction has been highly helpful in building the Visakhapatnam outer harbour without any serious shifts in schedules. A mechanical loader of similar capacity is under erection in Madras and is likely to be in operation in 1977. Even now iron ore shipments are at the rate of 2.2 million tonnes annually and the volume will increase substantially in the next 3 to 4 years when iron ore from the existing mines in the Hospet-Bellary region and the newly developed Donimalai area are moved by the converted broad gauge system through Guntakal to Madras.

Karnataka may be having the proud claims in respect of value and volume of iron ore exports from the Donimalai and Kudremukh regions. The output of Donimalai ore may increase to four million tonnes after the pelletisation plant having a capacity of two million tonnes begins functioning in four or five years. The cost of the Donimalai project in all stages will be Rs 70 crores and the mechanised operations are fully indigenised. The Madras port can therefore be expected to handle even up to six million tonnes annually by 1980 in respect of lump and pelletised ore.

The Mangalore port, however, has suddenly shot into the headlines with the conclusion of an agreement between Iran and India for exploiting the Kudremukh agnesite iron ore reserves. Because of he easy access to Mangalore port and the cope for effecting exports to Iran, it was ecided to exploit the Kudremukh reserves en though they were inferior in grade. t will, in fact, be necessary to mine over 0 million tonnes of crude ore yearly in rder to get 7.5 million tonnes of concenrate ore having 66.5 per cent ferrous conent. The value of exports is expected to e Rs 150 crores yearly for a period of 0 years. The cost of the project is estinated at Rs 570 crores and is being ully financed with an Iranian credit of 630 million.

slurry transport

The technical advice provided by the Canadian consultant and the transport of refined ore in a slurry form will obviate pressure on rail transport and facilitate easy loading at Mangalore port. The latter also has been developed suitably for handling 7.5 million tonnes of ore yearly. Mangalore may, thus, surpass Madras after four years as a more important exporter of iron ore. The sudden growth of Mangalore as a major port could not have been anticipated even in the '60s until the Kudremukh project was mooted.

It is, however, Marmagao that is still occupying the pride of place as an iron ore supplier to Japan. The annual trade from this region is 12 million tonnes and he private mines and ship-owners have done a commendable job of selling slightly inferior grade ore from this area. With the development of transport facilities through inland waterways to Marmagao a large volume of iron ore is being shipped even though the port facilities are still to be modernised. In view of the proposals for exporting large quantities of pelletised ore and securing a higher unit value, the Marmagao port facilities are being modernised at a huge cost. These facilities are likely to be available progressively. The four ports, Visakhaptnam, Madras, Mangalore and Marmagao will thus be handling between themselves nearly 35 million tonnes of iron ore yearly which may well have a value of Rs 700/800 crores and much more when pelletised ore is shipped in larger quantities. The expenditure on the creation of new harbour facilities alone will not be more than Rs 400 crores.

The investment in iron ore mining areas may be eventually Rs 1000 crores. The foreign exchange earnings on an assured basis will greatly strengthen the terms of foreign trade and create large direct and indirect emplyoment. There will of course be exports through Paradeep also as there will have to be a natural outlet for the Bihar, Orissa and Madhya Pradesh regions. Haldia for its part may be more preoccupied with mechanical loading of coal which may increase to even five million tonnes annually in a short period.

Apart from the four major ports in the southern region which would be concentrating on the export of iron ore besides receiving imports of crude and feedstock for refineries and fertiliser plants, the Tuticorin harbour is taking good shape as an important outlet for other products in the southernmost point on the east coast The Cochin port too will be important like Bombay as an exporter of high value cargo, though it is unlikely that there will be any need for a super tanker berth in this centre as an outer harbour can only receive large quantities of crude oil, rock phosphate and sulphur with no scope for large export of bulk cargo. The capacity of oil refinery is even now not being fully utilised on account of the saturation in respect of refining of petroleum products in the southern region for the time being. Even the full use of capacity of the Cochin refinery will not pose any problems for the Cochin port while there may have to be a refinery at Tuticorin at a later date and an increase in the capacity of Madras refinery after some time.

The strategy in respect of the creation of oil refinery capacity has undergone change following the discovery of Bombay High crude and there may have to be expansion of capacity of the existing refineries in Trombay and even at Koyali and it is proposed to create a satellite port for Bombay in order to relieve pressure on the latter. It will therefore be clear that the Bombay, Calcutta, Cochin and Tuticorin will be handling high value cargo while Goa, Mangalore, Visakhapatnam and Paradeep will be concerned with iron ore and other minerals apart from other cargo. If the new opportunities are fully utilised the volume of mineral exports can be more than doubled in the next five years and the export earnings may constitute easily over Rs 100 crores annually, especially as coal, alumina and ferro-manganese can make bigger contribution.

Eastern Economist Annual Number

The next issue of *Eastern Economist* dated December 31, 1976, will be its Annual Number 1977.

The Annual Number will analyse the gains made by industry since June 1975 and will also point out the impediments which have tended to slow down its onward march. Divided into four sections, it will discuss the general problems common to all industries such as investment, production, productivity, policies and procedures followed by detailed studies of capital, intermediate and consumer industries. Research analysts and experts in various fields have been invited to throw light on the problems faced by each one of the major industries with emphasis on the prospects of growth in the light of the changes initiated by the government in the past one year in particular.

Priced at Rs. 20 per copy, it will have a series of charts and colour graphs. Regular subscribers will receive their copy without extra charge.

Joint ventures abroad: some lessons

Subhash J. Rele

Till the end of March 1976, there were 65 joint ventures functioning abroad. Sixteen others were under active implementation in different parts of the world. A recent study indicated that joint ventures found maximum success in south-east Asia and the prospects are promising. The author believes that there is good scope for the establishment of joint ventures abroad in the small-scale sector in which our achievements are internationally recognised.

THE UNION government's recent decision to allow cash remittances in equity participation by Indian parties in joint ventures abroad is welcome. It is evident that the government's policy towards Indian capital abroad is becoming more and more flexible. Indian entrepreneurs had been fighting for this concession for a long time. They felt that a ban on investment in cash was a formidable hurdle in the way of joint ventures. The decision is a significant pointer to the shift taking place in the government's thinking on this issue.

Explaining the rationale behind the new thrust in the policy, Dr D.P. Chattopadhyaya, the minister of Commerce, observed that "although we are not a cash-rich country, we have to think in terms of our competitors." The government conceded that when competitors from the developed countries are freely making cash remittances for equity participation in joint ventures, it is inadvisable to erect barriers in the way of our entrepreneurs by disallowing their cash for equity participation purposes. The minister is justified in hoping that more and more Indian entrepreneurs would avail themselves of the opportunities currently available in foreign countries and thus participate in the development programmes on a mutually beneficial basis.

The government had also made certain other concessions for the encouragement of these ventures For instance it has allowed some amount of foreign exchange to be repatriated in cash. The entrepreneurs are making a case for further liberalisation so that they may be in a position to compete on equal terms with their western counterparts. It is essential that pre-shipment and post-shipment credits are made available more easily and on similar terms and conditions as are being made available by the export-import banks and other agencies in Japan and the USA.

Indian services with regard to project preparation, design engineering, construction, erection, commissioning, management and running of plants are much cheaper than what can be offered by the industrialised countries. There is need to maintain constant touch with other capital exporting countries so that consultancy, civil engineering and construction work may be obtained by our firms, directly or through sub-contracts. Joint venture arrangements can be worked out with other advanced countries such as the Soviet Union, Yugoslavia, West Germany, France, Austria and Italy. Tie-ups with advanced countries offer bright possibilities as our firms, by themselves, have not been able to compete with the multinational corporations in any substantial way. There is also need to further liberalise tax rules for Indian technicians who have to settle in foreign countries to provide these services. It is necessary that our firms are given all the facilities to open more offices abroad.

POINT
OF
VIEW

Till the end of March 1976, 65 joint ventures were functioning abroad while another 233 were awaiting government approval. Sixtyseven ventures are under active implementation in different parts of the world. The total investment in approved projects is to the tune of Rs 41.1 crores. Of these, Rs 13.7 crores are for projects in production and the remaining for projects under implementation. The investment is mostly in the form of supply of machinery, equipment and technical know-how. In some cases, such as a stee file unit in Indonesia, palm oil plants in Malaysia and a woollen textile mill in Kenya, a major part of Indian equity holding has been subscribed through conversion of technical know-how fees. Against this investment, the returns in the form of dividends, royalties and management fees amounted to Rs 3.4 crores.

The joint ventures have also been a powerful instrument of promoting Indian exports. For the projects that have already gone into production, this country has supplied goods worth Rs 20 crores. This is exclusive of the machinery and equipment sent out to form the Indian equity holding by 1975 end. Total exports generated would have amounted to anything between Rs 25 crores and Rs 35 crores.

Setting up of joint ventures abroad is not as easy as is imagined in certain quarters. This is evident from the fact that out of the 233 projects approved by the government, about 100 have been abandoned. The primary reason was lack of adequate planning. Some projects were approved without detailed appraisal of their benefits to the nation and the competence of the sponsoring promoters. Some others were launched without proper feasibility studies. Other reasons for abandoning them include political instability in some of the countries, difficulties of raising working capital, non-availability of cash participation facility from this country towards share capital and unfavourable investment rules in some of the developing countries. One of the common difficulties was the non-availability of a suitable local partner.

Regional Disparities and Expansion of Bank Branches

The article entitled "Regional Disparities and Expansion of Bank Branches" by K.K. George published in *Eastern Economist* dated December 10, 1976 expressed the personal views of the author and not of the State Bank of India with which he is associated. We regret very much that this fact was not stated while publishing the article.

Several cases have come to light where Indian investors were not serious about proposals they made initially and withdrew later on for no valid reasons. It is necessary to have an in-depth analysis of successful or abandoned ventures and find out not only the means of avoiding casualty but also improving the rate of remittance. At the moment an inter-ministerial joint ventures committee and a cell in the ministry of Commerce decide the proposals for joint ventures. It is not known what steps they take to ensure that only viable projects are approved.

A recent study has disclosed that our efforts to set up joint ventures abroad found maximum success in south-east Asian countries. Of the 43 countries we ventured into, seven in south-east Asia alone accounted for 37 per cent of the business proposals, amounting to 40 per cent of the proposed Indian equity participation. Of the 65 units which went into production, 33 (51 per cent) involving 56 per cent of the investment were located in this region. According to the study, the immediate prospects are more promising. Of the 63 units in various stages of implimentation, 37 (59 per cent) involving 71 per cent of the proposed investment would be in south-east Asia. The drop-out rate was also the lowest in this region. Only 19 per cent of the 86 proposals approved for south-east Asia were abandoned after approval as against the over-all drop-out rate of 45 per cent.

Malaysian ventures

Among the south-east Asian countries, Malaysia has the largest number of Indian joint ventures. Fifty ventures have been approved, of which 23 are already in operation. This is attributable to a number of attractive incentives. Only eight proposals were abandoned after approval. Malaysia has always laid claim that abundant capital is available for investment in joint ventures. Over-subscription of capital is a normal phenomenon on the Malaysian investment scene. Foreign invesment is welcome so long as the operations of foreign entrepreneurs are in accord with the aims of the new economic policy of that country. Under this policy, the Malaysian government has indicated that industrialisation will be a priority factor in future development, and in pursuance of this objective, its main agent for industrial development—the Federal Industrial Development Authority—has been intensifying efforts to bring in new investors from other countries. The government offers a wide range of incentives for attracting foreign investors to set up industries. Incentives are designed to provide total or partial relief from the payment of income-tax (40 per cent) and development tax (5 per cent) to companies investing in new enterprises or expanding existing ones.

climate in Indonesia

Indonesia is the next in the field with 16 proposals approved and three already in production. As late as 1971, Indonesia did not have a single Indian joint venture proposal. The investment climate is extremely favourable and several Indian entrepreneurs are now turning their attention to this country. Our government is also keen to establish economic relations with this vitally important south-east Asian country. This is indicated by the offer of a $50 million commodity credit to Indonesia.

Singapore, the workshop of south-east Asia, is ideally situated to take full advantage of growing markets in the region. The investment climate is excellent and industrial services developed by the government are of a high standard, Yet it is surprising that only nine proposals have been approved and only one is in production though six are in various stages of implementation. Our industrialists should see to it that the opportunities and gaps presented are taken advantage of by entering into collaboration agreements for joint ventures, particularly in export-oriented industries. Our industrialists should know that investing in Singapore offers many advantages. The Singapore currency is stable; banking, shipping, warehousing facilities are abundant and of good quality; the government has a high sense of purpose and minimum red tape; it has a well-developed infrastructure providing good communications, utilities, security and economic study facilities. And last, but not least, taxes are fairly applied and considerable incentives are available for export and expansion.

Though proposals approved in Thailand, the Philippines, Fiji and Hong Kong are negligible in number (seven in Thailand, one in production; four in the Philippines, one in production and two in Fiji and Hong Kong), prospects for investment are quite bright. An Indian entrepreneur who has set up several ventures in this region believes that people in south-east Asia are scared of Japanese economic domination and feel that India can provide a counter-balancing force.

Apart from some investment of American capital in Thailand and the Philippines and the Dutch capital in Indonesia, 80 per cent of the factories in that region are Japanese. So far as India is concerned, Bangkok is as near to Calcutta as is Bombay. There are no import duties on plant and equipment in those countries. Fortunately our engineering credibility in these countries is very high. As regards the main facilities available in south-east Asia, one can hope in these countries to get an industrial licence in three to six months. For example, there is a law in the Philippines under which the government is obliged to issue licence in three months. In Thailand also the government is quite eager to grant licences. In Indonesia, the time taken is slightly more, but it does not exceed six months.

Thai concessions

In Thailand, only one agency, the board of investment, is authorised to grant all clearances and allow remittances, profits, etc. Besides, income-tax exemption is allowed for seven years, and imports of raw materials are, in many cases, allowed free of duty. Repatriation of money from Indonesia is completely free. There is no restriction on remitting dividends, from Thailand. One has, however, to show the relevant agreement under which this is done. The low equity holding of Rs 30 crores in joint ventures had been dictated by India's foreign exchange shortage. This constraint has now ended.

It is sometimes held that the oil-rich countries in west Asia offer great opportunities for Indian investment. But most of these countries are mainly interested in export-oriented industries requiring high volume and low-cost technology, which our country cannot offer. The moot question is: Can we face up to the competition in export of technology with multi-national corporation?

A well-known economist at a Bombay seminar struck a note of caution about joint ventures. He observed that economic thinking that went into the original conception of joint ventures and the euphoria spread earlier on that basis has not materialised. While acknowledging that there has been an exponential impact of the earlier projects, he feels that at present there is a tendency to play down the importance of political stability for the success of a joint venture. According to him, no country is stable in terms of investment. Giving the example of African countries, he pointed out that during the last fifteen to twenty years, out of 28 African countries which had won Independence, in 23 countries military coups had taken place with the result that several successful joint ventures in countries like Nigeria, Ethiopia and Uganda had been nationalised. In contrast, fifteen years ago, Malaysia, Singapore and Indonesia were considered danger spots. These countries are now considered safe for investment. Thus in any political assessment of a country, our entrepreneurs ought to take into account the element of uncertainty.

Potential investors in our country are handicapped for lack of information about opportunities for collaboration prospects in overseas countries. The creation of a centre to provide the necessary information will stimulate the interest of our investors. The Review Committee on Export Promotion Council (1965) recommended that a separate non-official organisation should be created to "disseminate information about the possibility of joint ventures, scope for participation in civil and structural contract work and export of Indian know-how in diverse fields". Not much progress has been made to implement the suggestion.

There is at present no facility in our country for insurance of investments abroad against political and other risks. This often acts as a deterrent. Most of the advanced countries such as the USA, UK, Japan and West Germany have elaborat insurance schemes to cover risks of overseas investments. A major complicatio is posed by the fact that the profits o investors are taxed in the home countr as well as in the country where investment is made. The only remedy is fo our government to enter into doubl taxation agreements with other countries

There is good scope for the establishment of joint ventures in the small-scal sector also as the achievements of ou country in this sector have been internationally recognised. A number of developing countries look to us for guidance i promoting the growth of small industries There is a large number of industric like fruit canning, toiletries, cosmetics sewing machines, electric fans, etc, wher Indian participation can be envisaged What is needed in giving special incentives to our entrepreneurs. Investors concede that the guidelines laid down by the government to this end have been useful but these need to be backed by a consistent policy.

Hold of irrigation on farm economy in Gujarat

N. T. Patel & N. V. Namboodiri

The authors took up the study of two talukas of Gujarat, Anand and Dholka, to examine the impact of irrigation facility on cropping pattern and production. Anand has 80 per cent irrigated area and Dholka less than 15 per cent. The study showed that due to the intensive use of water, cropping intensity was higher by 27 per cent in Anand than in Dholka and due to lesser availability of water for irrigation, farmers in Dholka did not take the risk of increasing outlay on various inputs.

IRRIGATION is the key factor for expanded agricultural production in our country. At the beginning of the fourth five year Plan about four-fifths of the country's cropped area depended exclusively on rainfall. To raise the total production is the major aim behind either intensive or extensive land utilization. In certain areas land utilization has become impossible due to the lack of irrigation facilities. In certain other areas cultivation can be done only in certain seasons. Fertilizers, high yielding varieties of seeds and modern power drawn machineries play an important role in increasing overall production but the use of such inputs is determined by the availability of water for irrigation. With adequate supply of water, these inputs can bring about a positive change in cropping intensity and productivity. Irrigation has its own control on crop fixation as well as on the flexibility in crop rotation.

The main objectives of this study are : (a) the impact of irrigation on: (i) cropping pattern, and (ii) crop production; (b) A comparative study of dry and irrigated area regarding input structure and crop production and (c) general economy of the dry and irrigated farms.

Anand and Dholka talukas of Gujarat state were selected for the study. The former was selected as irrigated area and the latter as dry area. From Anand 30 farms were selected at random from farms having gross irrigated area above 80 per cent. Similarly from Dholka 30 samples were selected from farms having gross irrigated area less than 15 per cent. This data relates to the agricultural year 1972-73.

As land is the basic determinant and irrigation is one of the major inputs for agricultural production, information regarding the quality of land and availability of water for irrigation is to be examined. Due to the lack of information regarding the soil structure, average value of land is accounted here. The details of operational holding and the investment on irrigation equipment are shown in Table I

The average size of operational holding was 7.08 hectares in Anand and 39.8 hectares in Dholka. The per hectare value of land in Anand was about 5.5

mes higher than that of Dholka. But e average size of holding in Anand was ss than one-fifth of that in Dholka. is was because Dholka is predomi- ently a dry area and frequently affected y drought conditions. Relatively the rtility of land in Anand is more than n Dholka.

In Anand all the farms had their own ump-sets. About 27 per cent of the elected farms had their own pump-sets n Dholka. Per farm investment on rrigation was about Rs 9850 and Rs 9910 in Anand and Dholka respectively. The investment structure among the two talukas (in wells, pump-sets and under- round water conveyance system) was on a similar pattern. But it was found that due to less availability of underground water and also because of salty water it was risky for Dholka farmers to invest money for installing pump-sets.

Cropping pattern has got direct relation with the availability of water for irrigation. The use of high yielding varieties and chemical fertilizers was found less in dry area. The cropping pattern of both the areas is shown in Table II.

Table II shows that tobacco, bajra and cotton were predominant crops and they occupied about 80 per cent of the gross cropped area in Anand taluka, but in Dholka cotton and wheat were predominant crops and they covered about 76 per cent of the total cropped area.

In Anand, area under tobocco was highest (45.65 per cent) followed by bajra and cotton in that order. In Dholka, area under cotton was highest (57.30 per cent) followed by wheat and jowar in that order. More emphasis was given on cash crops than food crops in both talukas.

In Anand taluka all crops except bajra were 100 per cent irrigated. As for bajra 70.2 per cent of the total area was irrigated. In Dholka less than 40 per cent of area under each crop, except minor crops was irrigated. In Anand 94.2 per cent of gross cropped area was irrigated while it was 9.2 per cent in Dholka.

Cropping intensity shows the intensity of land use for crop production. The average cropping intensities were 1.21 and 1.00 respectively in Anand and Dholka. Due to high intensity of the use of water for irrigation, cropping intensity was higher by 21 per cent in Anand than that in Dholka. It indicates that irrigation is an important factor for the extensive utilization of land.

To study the farm economy, a comparative study have been made in these two areas. The study highlights the hold of

TABLE I

Operational Holding and Investment on Irrigation (per farm)

Particulars	Per Farm	
	Anand	Dholka
Operational holding (in hectare)	7.08	39.80
Value of land (per hectare)	27000	5000
Investment on electric motor/oil engine (Rs)	2500	2580
Investment on wells (Rs)	6000	6750
Underground pipeline (Rs)	1350	580
Total investment for irrigation (Rs)	9850	9910
Gross area irrigated (hectare)	8.11	3.7
No of farms having pumpsets	30	8

TABLE II

Cropping Pattern for Anand and Dholka (per farm)

Name of crop	Anand (per farm)			Dholka (per farm)		
	Total area under crop in hectare	Per cent area irrigated under crop	Per cent to gross cropped area	Total area under crop in hectare	Per cent area irrigated under crop	Per cent to gross cropped area
Paddy	0.74	100	8.59	1.61	33.5	4.02
Cotton	1.40	100	16.26	22.96	8.4	57.30
Bajra	1.68	70.20	19.52	1.28	36.7	3.19
Tobacco	3.93	100	45.65	·	—	—
Jowar	—	—	—	6.40	4.4	16.18
Wheat	0.61	100	7.08	7.51	3.7	18.74
Other minor crops	0.25	100	2.90	0.23	95.7	0.57
Total/overall	8.61	94.20	100.0	40.07	9.20	100.0
Net area sown (in hect)			7.08			39.80
Gross cropped area (in hect)			8.61			40.07
Cropping intensity			1.21			1.00

TABLE III

Crop-wise Output and Expenditure Per Hectare for Anand Taluka

Name of crops	Total output (Rs/hect)	Total input (Rs/hect)	Output-input ratio	Input structure (in Rs/hect)				
				Irrigation	Draught power	Labour	Fertilizer	Seeds and pesticides
	1**	2	3	4*	5*	6*	7*	8*
Paddy	3830	1561	1.98	401	176	382	561	41
	(1577)			(25.7)	(11.3)	(24.5)	(35.9)	(2.6)
Tobacco	5120	2082	2.46	183	240	487	1146	26
	(3038)			(8.8)	(11.5)	(23.4)	(55.0)	(1.3)
Cotton	5670	2497	2.27	279	194	709	675	640
	(3173)			(11.2)	(7.8)	(28.4)	(27.0)	(25.6)
Wheat	2876	1237	2.32	303	122	426	259	127
	(1639)			(24.5)	(9.9)	(34.4)	(20.9)	(10.3)
Bajra	2562	926	2.77	241	143	288	229	25
	(1436)			(26.0)	(15.5)	(31.1)	(24.7)	(2.7)
Total/overall per hectare	4386	1825	2.40	237	200	472	783	133
	(2561)			(13.0)	(11.0)	(25.9)	(42.9)	(7.2)
Total/overall per farm	39306	16353	2.40	2127	1794	4226	7014	1192
	(22953)			(13.0)	(11.0)	(25.9)	(42.9)	(7.2)

** In column No. 1 figures in parentheses indicate net benefit per hectare/per farm.

* In column No. 4 to 8 figures in parentheses indicate percentages to total cost.

TABLE IV

Crop-wise Output and Expenditure Per Hectare for Dholka Taluka

Name of crops	Total output (Rs/hectare)	Total input (Rs/hectare)	Output-input Ratio	Input structure (in Rs/hectare)				
				Irrigation	Draught Power	Labour	Fertilizer	Seeds and pesticides
	1**	2	3	4*	5*	6*	7*	8*
Paddy	622	821	0.76	46	103	367	267	38
	(—119)			(5.6)	(12.6)	(44.7)	(32.5)	(4.6)
Cotton	643	236	2.72	13	53	107	50	13
	(407)			(5.5)	(22.5)	(45.3)	(21.2)	(5.5)
Jowar	700	273	2.56	6	33	83	24	127
	(427)			(2.2)	(12.1)	(30.4)	(8.8)	(46.5)
Bajra	486	260	1.87	3	65	117	54	21
	(226)			(1.2)	(25.0)	(45.0)	(20.8)	(8.0)
Wheat	691	310	2.23	17	61	81	13	138
	(381)			(5.5)	(19.7)	(26.1)	(4.2)	(44.5)
Total/overall per hectare	655	280	2.33	14	55	109	48	54
	(375)			(5.0)	(19.6)	(38.9)	(17.1)	(19.4)
Total/overall per farm	25771	11038	2.33	540	2123	4304	1890	2181
	(14733)			(5.0)	(19.6)	(38.9)	(17.1)	(19.4)

** In column No. 1, figures in parentheses indicate net benefit per hectare/per farm.

* In columns from 4 to 8, figures in parentheses indicate per cent to total cost.

irrigation on the cultivation pattern. For this purpose, the output per hectare, allocation of crops and different input structure have been worked out as shown in Tables III and IV (page 1222).

On per hectare basis the cost of paddy cultivation in Anand (Rs 1561) was about twice that of Dholka (Rs 821) while the output of paddy in Anand (Rs 3038) was more than 4 times than that in Dholka (Rs 622). The cultivation of paddy at the existing situation was profitable in Anand (Rs 1577) but it was not profitable in Dholka (—Rs 199). The output-input ratio of paddy shows that it was advisable to increase expenditure on paddy cultivation in Anand as it gave 98 per cent net return on every additional expenditure, while in the case of Dholka the net return per unit of additional expenditure shows only 24 per cent. A look at the allocation structure of input shows that for paddy cultivation in Anand top priority was given to the use of fertilizer followed by irrigation, labour and draught power. The input structure of paddy in Dholka shows that out of all inputs the contribution of labour was highest followed by fertilizer, draught power and irrigation.

negative returns

In view of the above results we arrive at the conclusion that due to lack of irrigation facilities the use of modern inputs such as fertilizers and high-yielding varieties of seeds was limited and resulted in negative return. Cotton was profitable in both talukas. The cost of cultivation of cotton in Anand (Rs 2497) was about 11.5 times higher than that of Dholka (Rs 236). The per hectare output of cotton in Anand (Rs 5670) was eight times that of Dholka (Rs 643). The output-input ratio in Dholka indicates that it was possible to increase output by increasing expenditure on inputs. But it could not be possible to increase the use of fertilizer because of the non-availability of water for irrigation.

The per hectare output of bajra in Anand (Rs 2436) was about five times of that in Dholka (Rs 486) and the cost of cultivation of bajra in Anand (Rs 926) was about 3.5 times higher than in Dholka (Rs 260). The net return on bajra cultivation was 177 per cent in Anand while in Dholka it was only 87 per cent.

Wheat was totally an irrigated crop in Anand while wheat was totally an unirrigated crop in Dholka. In the irrigated wheat the output was four times higher than that of dry wheat. The output input ratio for wheat in Anand and Dholka was 2.32 and 2.23 respectively. It shows that due to low input use for cultivation of wheat in Dholka, per hectare return was less but it was just opposite in Anand.

priority for tobacco

Tobacco got top priority in Anand but had no existence in Dholka. Per hectare return was Rs 5120 and cost of production Rs 2082. The output-input ratio was 2 46.

Jowar got third priority in Dholka and did not exist in the cropping pattern of the selected farms in Anand. Among all the crops, jowar had got highest output (Rs 700) and net return (Rs 427) per hectare in Dholka. Output-input ratio for this crop was 2.56.

At the aggregate level the per hectare output in Anand (Rs 4386) was about 6.5 times of that in Dholka (Rs 655). The per hectare cost of cultivation in Anand (Rs 1825) was also 6.5 times of that in Dholka (Rs 655). This shows that net return on investment was equal in both talukas.

As for the allocation of inputs, irrespective of crops, in the case of Anand top priority was given to fertilizer followed by irrigation, draught power and seeds and pesticides. But in the case of Dholka top priority was given to labour followed by draught power, seeds and pesticides, fertilizer and irrigation. Due to less availability of surface and underground water in Dholka, irrigation got lowest priority. Because of this farmers in Dholka did not prefer to take risk by increasing the cost of cultivation even though output-input ratio was high. It indicates that irrigation was a constraint for Dholka farmers to increase cost of cultivation on different inputs to raise yield per hectare. Output-input ratios in Anand and Dholka were 2.40 and 2.33 which were more or less equal.

Due to non-availability of water for irrigation the farmers in Dholka were not taking the risk of raising the cost of cultivation. The output-input ratio does not show much difference among the two farm situations. It indicates that the average return on input was not much different. However, due to lesser availability of water for irrigation, the farmers would not try to increase various inputs. The input structure among the two farm situations shows that top priority was given to fertilizer in irrigated area while in dry area the major contribution among all inputs was labour. The overall output-input ratio remained almost the same in both these areas.

One of the major reasons for the increased cost of output is the use of chemical fertilizers and high yielding varieties of seeds. But it is found that the uses of such modern inputs is directly related to the availability of water for irrigation. In such area credit societies have to play an important role by providing more finance for installing new wells for irrigation.

cropping intensity

It is found that the cropping intensity of irrigated farms is about 27 per cent higher than that of dry farms. In the dry area the cropping pattern was dominated by cotton and its output-input ratio was higher than in irrigated farms. Another important result was that, in the aggregate level the per hectare output of irrigated farm was 6.5 times higher than that of dry farms while the cost of inputs used was also 6.5 times higher in irrigated area.

The above results indicate that adequate steps have to be taken in dry areas to raise and sustain farm productivity. Dryland area is spread over the length and breadth of the country and technological backwardness is felt more in such areas. If these areas could be given adequate irrigation facilities they would have a major impact on the country's economy. The need of exploring the possibilities and providing adequate irrigation net-work in dry areas is highly essential.

WINDOW ON THE WORLD

Assistance to developing countries

Maurice J. Williams

The author is chairman of the Development Assistance Committee (DAC) appointed by the Organisation for Economic Cooperation and Development (OECD). With the aid of the available data he has shown that the volume of aid by the DAC countries to the developing countries has continued to increase from 1973 to 1975 both in money and real terms. However, the level of aid at 0.36 per cent of Gross National Product (GNP) in 1975 for this group of countries was about one third of the target set by the United Nations (UN). It shows that much more determined effort will have to be made by these countries in the coming years to increase their aid to the developing countries to one per cent of their GNP as stipulated by the UN.

THE VIEW that the development assistance of DAC member countries is on a downward trend proved wrong in 1974 and again in 1975. There has been a major change in the aid responsiveness of most DAC countries. The outlook for the next five years is a more adequate flow aid—on a rising trend—more effectively addressing the needs and priorities of developing countries.

In 1974 and 1975 DAC members raised their net disbursements of Official Development Assistance (ODA) by over 40 per cent. At $ 9.4 billion in 1973, ODA rose to $ 11.3 billion in 1974 and to $ 13.6 billion in 1975. As a share of Gross National Production (GNP), this represents an increase from 0.30 per cent in 1973 to some 0.33 per cent in 1974 and 0.36 per cent in 1975. Despite price inflation, aid rose in real terms. Considering that this occurred during a period of major recession and budgetary deficits for DAC countries, their determined response to developing courties' needs must be recognised.

In 1975 two countries—the Netherlands for the first time and Sweden for the second-achieved the 0.7 per cent target for Official Development Assistance (Sweden with 0.82 per cent, and the Netherlands with 0.75 per cent). Particularly rapid growth also was recorded by Australia, Belgium, Canada, Denmark, New Zealand, and Norway. France has sustained a good performance as to the level of aid. Improved volume performance by these nine countries reflects budgetary choices. They have adopted medium-term plans to further improve their contribution, which now accounts for about 40 per cent of total ODA from all DAC member countries. It appears likely that their combined ODA will continue to increase in real terms at an annual rate of about 10 per cent over the period 1976-80. Consequently, they will make susbtantial progress in increasing aid relative to the 0.7 per cent target of GNP, adopted by the United Nations in 1970 for the Second Development Decade, while seeking to focus aid more sharply on specific needs.

Other DAC members increased their outflow of ODA in both 1974 and 1975, including West Germany, Japan, the United Kingdom, the United States, Switzerland, Australia and Finland. Italy increased its aid in 1974 but not in 1975. For these countries the growth of GNP has only an indirect influence on the volume of aid and, hence, their future aid performance is more uncertain. In perticular, the aid performance of the United States, W. Germany and Japan—the strongest industrial countries has a dominant effect on combined DAC member performance.

broad agreement

All DAC member countries agree as to the importance of raising the level of assistance for countries most in need of longer-term structural development of their economies. There also is broad agreement that official aid should be considered in relation to other factors, including maximum expansion of the developing countries' export earnings, and their efforts to mobilise their domestic resources and energies. These factors must be seen as interrelated parts of a renewed cooperative efforts between developed and developing countries.

DAC countries have taken a dual approach on the question of future levels of aid. Some, as noted above, plan their efforts in relation to targets of aid as a percentage of GNP, which provides a general indication of the relative burden for donor countries. Others are more likely to be influenced by specific needs for capital on concessional terms with which they can identify their assistance programmes. Progress is being made towards focusing increased aid particularly on programmes which address the basic needs of the poorest peoples and regions, for more adequate job opportunities, food production and improved income distribution.

Future projections, always difficult, are especially uncertain in times of great change: the past may not be the best guide to the future. While there is a strong bias in favour of projecting past unsatisfactory trends for aid into the future, this approach would overlook the major changes that have occured in 1974 and 1975 — in the responsiveness of DAC members to developing country needs, their attention to fresh policy approaches, and their renewed awareness that development is best achieved by a complex of integrated actions affecting trade, commodities, and the transfer of technology, as well as by increased concessional aid.

Given these changes and the responses by most DAC countries. it appears almost certain that we will see a continuation of the trend of increasing aid – more effectively linked to developing country- needs priorities and efforts—that will riase the preformance of DAC countries from the 0 30 per cent of their combined GNP in 1973 to a proportion closer to 0.40 per cent of GNP around 1980.

Also noteworthy has been the performance of DAC members in total net flows of capital to developing countries. Total net flows in 1975—including Official Development Assistance, grants by private voluntary agencies, and capital provided at market terms—were $ 38.8 billion. This total flow is equal to 1.02 per cent of DAC members' combined GNP, compared to 0.81 per cent in 1974. It is the first time that the total flow target of one per cent of Gross National Product has been reached collectively by DAC members. In its latest form, the target applies to the transfer of financial resources from developed countries individually. While figures are not yet completed for individual countries, it appears that practically all increased their total outflow in dollar terms, sometimes very sharply, and that for at least seven countries—Belgium, Canada, France, W. Germany, Netherlands, Sweden, and the United States (for the first time) – these flows as a share of GNP were well above one per cent.

DAC member countries initially undertook in the "Resolution on the Common Aid Effort" adopted in March 1961, to expand the flow of resources to developing countries and improve the terms and effectiveness of developing assistance. They charged DAC with responsibilityto build understanding and support for the common effort. Since its inception, the committee has also contributed to clarification of key development issues. Particular attention has been devoted to the needs of developing countries, promotion of their exports, levels and types of assistance, problems of indebtedness and private investment, as well as such sectoral issues as employment, education, agriculture, population, technology, and the poorest countries and peoples.

In assessing the role of the DAC in support of the common development effort, it is necessary to bear in mind the important fact that it can only operate within the framework of the political and economic policy decisions taken by its members. The DAC has demonstrated over the years that, within this framework, it is reasonably well fitted to promote the collection and review of information on its members' programmes and efforrs, facilitate the exchange of experience among them, coordinate their development policies, and collectively seek, through successive evaluations, to encourage them to improve their performance in the transer of resources for development.

Official Development Assistance from DAC Member Countries to Developing Countries and Multilateral Agencies

(Net disbursements)

Countries	$ million				% of GNP			
	Average 1965-67	1973	1974	1975	Average 1965-67	1973	1974	1975
Australia	134	286	430	507	0.56	0.44	0.55	0.61
Austria	13	40	59	64	0.13	0.15	0.18	0.17
Belgium	89	235	271	378	0.49	0.51	0.51	0.59
Canada	160	515	713	880	0.28	0.43	0.50	0.58
Denmark	20	132	168	205	0.18	0.48	0.55	0.58
Finland	3	28	38	48	0.04	0.16	0.17	0.18
France	774	1,461	1,616	2,091	0.72	0.57	0.59	0.62
Germany	461	1,102	1,433	1,689	0.38	0.32	0.37	0.40
Italy	98	192	216	182	0.15	0.14	0.14	0.11
Japan	305	1,011	1,126	1,148	0.29	0.25	0.25	0.24
Netherlands	92	322	436	604	0.44	0.54	0.63	0.75
New Zealand	9	29	39	66	0.21	0.27	0.31	0.52
Norway	13	87	131	184	0.17	0.43	0.57	0.66
Sweden	52	275	402	566	0.23	0.56	0.72	0.82
Switzerland	13	65	68	104	0.08	0.16	0.15	0.18
United Kingdom	481	603	730	863	0.45	0.34	0.38	0.37
United States	3,413	2,968	3,439	4,007	0.45	0.23	0.24	0.26
Total DAC Countries	6,130	9,351	11,317	13,585	0.42	0.30	0.33	0.36

A practical approach to fisheries development

M. Zaki Azam

The Asian Development Bank (ADB) has financed 13 fisheries projects in 10 member countries, according to the author who is a Project Manager with the ADB. The Bank has stressed marine fisheries mainly in the off-shore waters. This article shows that the success of the fisheries projects in Asian countries has created great enthusiasm for further development of similar projects.

FISH, ONE of the cheapest and most basic sources of valuable protein, is a vital item in the diets of most people who live today in Asia's developing, often undernourished countries. Estimates of consumption vary from one country to another, from an annual low of 10.5 kilos per capita in Indonesia and 11 kilos in Bangladesh to 26.6 kilos in Malaysia and 30 kilos in the Philippines.

Current demand, however, usually outstrips supply. This trend is likely to continue: keeping in mind the rates of population growth in many of the region's countries and the estimates of their food production, it is a realistic assumption that the demand for fish will go on rising at a faster rate than production.

Increasingly pressing in future will be the need for concerted action in terms of increasing investment in this sector of development, with the major emphasis being on fisheries and resource management.

global scene

At present, the world catch of fish is approximately 70 million metric tons, of which about 62 million tons come from the sea and about eight million tons from inland fisheries. The maximum possible production of conventional species of marine fish is estimated to exceed the present yield by about 50 per cent — about 100 million tons. The conclusion is that there is still considerable scope for expansion of fisheries production without affecting the world's maximum sustainable yield,

From the fisheries viewpoint, the Asian Development Bank's developing region may be divided into three sub-regions. The first is the Indian Ocean[1] where present production is about three million tons, while the potential is estimated to be in the neighbourhood of 10-12 million tons. The second sub-region, the South China Sea[2] also shows considerable potential for fisheries development. Total current production of both pelagic and demersal fishes here is conservatively estimated to be 4.8 million tons, while preliminary estimates show a potential of about another four million tons. Finally, there is the South Pacific. Although precise data on present production and potential are lacking, it is felt that a considerable potential exists for expansion of fisheries production in this sub-region.[3]

considerable scope

The above relates to the marine subsector of the Bank's developing member countries (DMCs). In the inland fisheries subsector, production of DMCs both in the Indian Ocean sub-region and the South China Sea sub-region is estimated at about 2.5 million tons and 1.3 million tons respectively. Considerable potential also exist in the inland fisheries subsector as there are millions of hectares of swamps, brackish water and ponds in the DMCs which are suitable for the development of aquaculture and inland fisheries.

As of September 20 1976, the Bank had financed a total of 13 fisheries projects in 10 member countries — Bangladesh, Burma, Republic of China, Indonesia, Republic of Korea, Malaysia, Pakistan, Sri Lanka, Thailand and Viet Nam. Of these, three projects are in Indonesia and two in Viet Nam. Three projects have been completed, three are nearing completion and the rest are under implementation.

The Bank's total lending to the fisheries sector amounts to some $125 million, which is about four per cent of its total lending, and about 17 per cent of the agriculture and agro-industry sector.

Of this amount, $32.5 million is from the Bank's special funds resources and $92.98 million from ordinary capital resources of the Bank.

a leading lender

The Bank's total lending in the fisheries sector compares favourably with the combined lending of the World Bank and IDA, which amounts to about $85 million. This shows that the Bank, as a multilateral development financing institution, is emerging as a leading lender to the region's fisheries sector.

It is estimated that the total investment in these 13 projects amounts to some $225 million.

The total projected production of fish from these projects is estimated at about 280,000 tons. On the basis of a conservative price assumption, these projects are expected to generate a gross income of about $135 million and opportunities for the gainful and direct employment of about 27,000 fishermen and workers.

The projected catch of 215,000 tons as against a potential of 15 million tons, however, will be a relatively modest accomplishment and establishes the need for further investment to exploit the considerable potential resources in the Indian Ocean, South China Sea and South Pacific regions.

So far the Bank has undertaken four technical assistance projects in the fisheries sector amounting to $471,000, which is about 1.76 per cent of the Bank's total technical assistance financing. In addition, the Bank has financed a regional techni-

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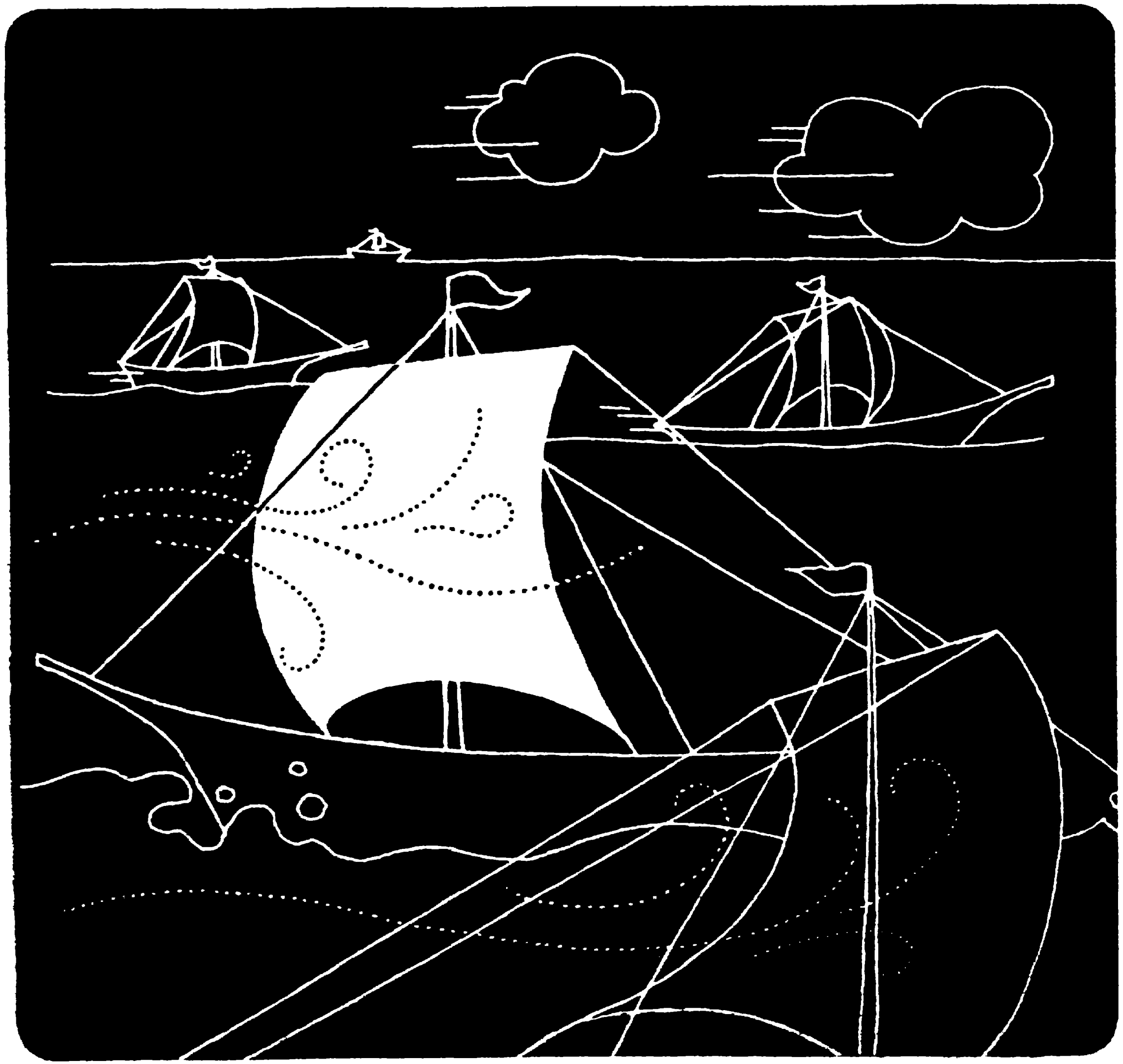

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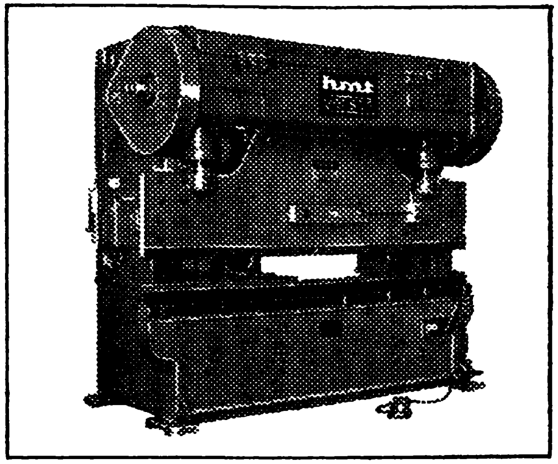

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cal assistance project for a fish market study which was undertaken by FAO/SCS[4] on the basis of cost sharing.

Of the 13 loan projects financed by the Bank, four were exclusively export-oriented, five were both for export as well as for domestic needs and four were exclusively for domestic requirements. The major species to be caught under the Bank financed projects are shrimp, skipjack and tuna (mainly for export purposes), Spanish mackerel, pomfret and snappers (for export and domestic consumption) and other species (for domestic consumption).

Fishing methods adopted in Bank-financed projects were trawling (mainly for shrimp and snapper), long-lining and polelining for skipjack and tuna, gill-netting for Spanish mackerel and purse seining for sardines.

In the formulation of the Bank's fisheries projects, attention has been focussed on three major factors: resource availability and technical considerations; an integrated approach envisaging a chain of operations from the catching of fish to preserving and then marketing these both abroad and/or to domestic markets (this approach, therefore, entails vessel mechanisation, establishment of onshore facilities such as refrigeration and ice-making complexes and provision of marketing equipment such as refrigerated trucks or carriers, etc.); and the application of appropriate technology.

critical review

A critical review of Bank-financed projects will show that its involvement in the fisheries sector has so far been mostly in marine fisheries, and to a small extent, in inland fisheries which, with certain exceptions, requires most local currency. Resource situations, the level of locally practised fishing technology and marketing facilities have been the main factors considered in designing Bank-financed fisheries projects. Because of the fact that waters closest to the coast are already overfished in most DMCs, none of the Bank's fisheries projects is concerned with the inshore portion of marine fisheries. The bulk of projects are in the offshore subsector involving resources at medium distances from the coast and intermediate technologies. Deep-sea fishing which requires considerable investment and modern technology, has been confined to only two of the Bank's projects.

The two projects involving modern technology are the Deep-Sea Fisheries Development Project in the Republic of China and the skipjack fishing component of the Korean fisheries project. Both these countries have highly developed and technologically advanced fishing industries and Bank-financed vessels there are equipped with modern navigational equipment, fishing gear and refrigeration facilities. The technology provided, however, is still intermediate and not the most modern and capital-intensive. During appraisal of the Korean project, for instance, the automatic pole-lining system had already been developed and was in operation elsewhere, but a decision against its introduction was taken partly for technological reasons and partly on account of employment considerations, since labour requirements would have been reduced by half.

intermediate technology

Less advanced technology has been deliberately provided in all other Bank fisheries projects and use has been made in most cases of local shipbuilding yards and local materials to construct project vessels. The equipment installed on project vessels is generally intermediary between that used traditionally in developing countries and that now in common use in advanced countries. For instance, simple mechanical type trawl winches (with power offtake directly from the engine, which cost about $500 per unit) are used rather than hydraulic winches (which cost about $4,000); simple type fish finders (at about $500) rather than echo-sounders (at about $4,000) and compasses (at about $300) rather than more sophisticated gyro compasses (costing about $2,000), etc.

Similarly, in the case of refrigeration equipment, Bank staff have been careful in introducing sophisticated higher rpm compressors. In this context, it is generally understood that low rpm compressors can be efficiently maintained and operated for longer periods with less maintenance problems under less than optimum service conditions. Low rpm compressors would require more labour tha higher rpm compressors which have buil in automatic devices and require carefu maintenance and more spare parts.

However, if high rpm compressors ar operated properly, they are more efficien than low rpm compressors. With thi technical background, and also with th recent shift from low rpm compressors t high rpm compressors in developing countries, the Bank has carefully assessed th technological conditions and service an spare parts situation for each project.

Thus, for the two first Indonesian fisheries projects, located in remote areas, low rpm compressors were accepted, while a higher rpm range was stipulated for the Java fisheries project, because it is close to Jakarta and has access to more advanced service and spare part facilities.

income generation

From the point of view of income generation, Bank-financed fisheries projects can be classified into five categories: (i) Projects whose direct beneficiaries are the small and poor fishermen. The two fisheries projects in Viet Nam, the Pakistan fisheries and Thailand fisheries belong to this category; (ii) Projects whose direct beneficiaries are public limited companies but where indirect beneficiaries are the small fishermen. The three projects in Indonesia fall in this category; (iii) Projects whose direct beneficiaries are government corporations, but where indirect beneficiaries are the poor fishermen. The Burma fisheries project and the Bangladesh fsheries projeet belong to this category; (iv) Projects where small fishermen have been the direct beneficiaries through cooperatives. The Korean and the Sri Lanka projects belong to this category; and (v) Projects where the direct beneficiaries are private fishing companies and indirect beneficiaries are the fishermen. The deap-sea fishing project in the Republic of China is an example.

From the income effects point of view, Bank's approach has been pragmatic. All appraisal reports pertaining to the fisheries sector deal appropriately with social and other benefits of the projects. In this respect, a two-dimensional approach has been adopted

In cases where fishermen are the direct

beneficiaries, a full investigation of the fishermen's income position is made. Bank staff calculates how much the income of the fishermen will increase as a result of the project, and these conclusions are reflected in the Bank's appraisal reports. To ensure that a substantial portion of the beneficiaries is made up of small fishermen, a policy statement as well as financing criteria are prepared to reflect this requirement and to guide the project agencies accordingly. The Bank's experience has shown that the income position improves from a minimum of 80 per cent to a maximum of about 150 per cent as a result of the project.

creating opportunities

In cases where fishermen are indirect beneficiaries, practically all fishermen who are employed by project agencies are those who are poor, do not own boats and are otherwise underemployed. The projects not only create opportunities for their gainful employment but employ them on better terms in two ways; firstly, they are engaged at 15 to 30 per cent higher wages than the prevailing market rate, and secondly, Bank staff make a compulsory introduction of an incentive scheme based on the catch-share system which varies from project to project. This system has worked out well up to now, and is reviewed by Bank staff periodically. Incomes of employed fishermen has more than doubled in some cases as a result of this system.

So far, the Bank has had six lessons of institutional experience in terms of effective implementation of fisheries projects. In most of these, development financing institutions (DFIs) have been selected to act as intermediary executing agencies to provide financing to fishermen. Such financing includes the proceeds of the Bank loan—engines, fishing, gear, nets and other equipment—as well as in some cases, provision of local currency for hull construction and others. In this context, although the main emphasis of Bank appraisal is on the viability of fishing operations and of the project as a whole, DFIs are reviewed by the Bank. The major consideration in the selection of the DFI is that it has had previous experience of fishing operations. The fisheries project in Pakistan, the two fisheries projects in Viet Nam and one component of the fisheries project in Bangladesh are the examples of this,

In the case of three fisheries projects in Indonesia, a separate public limited company was created to execute and operate each project. Initially, these enterprises are fully government-owned but their charters provide for disinvestment by government as well as the full possibility of the association of the private sector when the project starts showing profitable results. In the case of Sri Lanka fisheries project, commercial banks were used to channel the proceeds of the Bank loan to the fishermen and fisheries cooperatives. In the case of Thai fisheries project, a government marketing agency, namely the Fish Marketing Organisation, was used to channel the proceeds of the Bank loan to fishermen. In the case of Korean fisheries project, the National Federation of Fisheries Cooperatives was used as the intermediary executing agency. For a component of Bangladesh fisheries project, fisheries cooperatives are the end-users, and in the case of Burma fisheries project, a fisheries development corporation—a statutory body owned 100 per cent by government was used as the executing agency.

executing agencies

Although most of fisheries projects are still under execution, some results of institutional arrangements are already discernible. In the case of DFIs, including fisheries cooperatives used as intermediary executing agencies, the experiences have proved to be quite successful. One major contributory factor in this is that the DFIs in question were well established in organisational structure, management and staffing, number and location of branch offices, all suited to the effective handling of the subloan operations.

In terms of project implementation, the Indonesian experience has proved to be successful. The Riau fisheries project was implemented substantially ahead of schedule, while the Irian Jaya fisheries and the Java fisheries projects are being implemented on schedule. Thus public limited companies have been found to be effective tools for implementing fisheries projects.

In the financing of Bank fisheries projects, attention is paid not only to the implementary capacity of an executing agency but also to its institution-building abilities. In this context, like a family doctor, the Bank does offer certain prescriptions which are well taken in the better interest of the country's economy. To illustrate this in, the case of the Burma fisheries project, a set of policy measures was suggested by tho Bank which has now begun to bear fruit.

operational inefficiency

In 1974, the Bank's appraisal mission found the Burma Fisheries Corporation, the project's executing agency, to have been incurring net loss on its fisheries operations ever since its inception in 1964. Between 1964-65 and 1966-67, the overall performance of the corporation was profitable because of its pearling activities. The fisheries operations were losing money. Between 1968-69 to 1972-73, with the exception of a small profit in 1969-70, the corporation incurred losses on an overall basis. The major reason for this situation was the substantial losses due to operational inefficiency in its fishing activities. These losses fluctuated from a minimum of Kyat 1 million to about Kyat six million per annum.

Against this background, a remarkable improvement has taken place. After the Bank's appraisal of the project in March 1974 (the overall loss amounted to Kyat 4.7 million in 1973-74), the loss was reduced to Kyat 0.2 million in 1974-75. The corporation earned a net profit of Kyat 11.4 million in 1975-76 of which the net profit from fisheries amounted to about Kyat 8.0 million in 1975-76. Production, from only its trawling operations, increased from 1,800 tones in 1973-74 to about 9,000 tons 1975-76.

In the current year, 1976-77 (April to June), production has been about 2,000 tons, which is considered high since this was the lean season because of the monsoon.

In the past, the export of shrimp and fish from Burma had been negligable. In 1971-72, a total of only 14 tons amounting to a value of $50,000 of shrimp was exported to Hong Kong. In 1972-73, about 60 tons of shrimp valued at $200,000 and about two tons of fish were exported to Hong Kong. Then, in 1975-76, the corporation exported $1 million worth of shrimps, red snappers and lobsters to Singapore, Hong Kong and Japan.

In 1976-77, the export target is about $5 million, of which about $0.8 million has already been achieved. The stock in hand is worth about $0.5 million and is currently awaiting shipment to foreign markets.

This breakthrough in the overall operational efficiency of the corporation was achieved as a result of adopting—and strictly enforcing—policy measures suggested by the Bank at the time of appraisal. To recapitulate, these were : (i) the corporation was reorganised, its management changed four senior officers (ii) an incentive scheme was adopted immediately after the Bank's appraisal, and as a result income positions of the fishermen have increased from Kyat 150 per month to about Kyat 800 per month, skippers' salaries have risen from Kyat 700 to about Kyat 3,000 per month, and sea allowances have been increased from Kyat 2 to Kyat 6 per day. In addition, incentives in the form of medical facilities and trophy awards to various trawlers and opportunities for training abroad for the best skippers, engineers and fishermen are also being offered; (iii) as stipulated in the legal documents, the corporation has auctioned off its unusable boats, numbering about 90; (iv) the corporation had 42 retail shops which have now been liquidated; and (v) the corporation is now in a position to obtain competitive prices for its produce through auction mechanism.

On the whole, a scramble for the sea has started around the project area. Where there was once indifference among the corporation's workers, there is now evident enthusiasm The corporation itself has become a model for other similar organisations in Burma to emulate.

So far, the Bank's emphasis has been on marine fisheries mainly in the offshore waters of DMCs. The Bank has also concentrated on the improvement and upgrading of conditions for artisanal fishermen. Deep-sea fishing, except in the case of china fisheries project and the skipjack component of Korean fisheries project has received relatively little attention. It is evident that offshore and artisanal fisheries will need to receive the Bank's increasing attention in view of their considerable potential in the Indian Ocean and South China Sea. Inland fisheries and aquaculture development are other important areas in need of development assistance.

References :

1. India, Pakistan, Bangladesh, Sri Lanka, Burma, East African Countries, Iran and some of the middle eastern countries.
2. Philippines, Indonesia, Thailand, Taiwan, China, Viet Nam, Sringapore, Hongkong, Cambodia and Malaysia.
3. Skipjack (a kind of tuna) is the most important species in the region. Current catch is at the level of 250,000 m.t only against approximate maximum sustainable catch of 1 million m t.
4. South China Sea Fisheries Development and Coordinating Programme of the Food and Agriculture Organisation.

World grain stocks replenished

Last year the record grain crop in the United States was largely offset by a disastrous harvest in the Soviet Union and the already low level of world grain stocks received little replenishment. While prices backed off their peaks they remained at very high levels. Consequently, the acreage sown in Canada, the United States, the USSR and the EEC was up considerably this year. With weather conditions favourable in most areas, generally bountiful harvests have resulted. In fact, this year's world wheat harvest is exoected to be the largest ever. Production is estimated at 380 million tonnes (1 tonne=1 metric ton=2204.6 lbs.) up 6.4 per cent from last year's 357 million and 2 2 per cent above the previous record harvest in 1973-74.

In the United States, drought was experienced in some areas and yields per acre were lower than last year, largely offsetting the increase in area sown. The total wheat crop, for example, is estimated to be slightly less than the record 58 million tonnes brought off the fields in 1975 despite a 7 per cent increase in area sown. Forecasts for the corn crop, the key US feed grain, have been reduced as a result of dry conditions in the corn belt during the summer but the latest production estimate is 149 million tonnes, up from the alltime high of 146 million tonnes in 1975 and far above the modest 118 million tonnes taken off sun-baked fields in 1974. The soybean crop, however, is expected to yield 33 million tonnes, a decrease of 18 per cent from 1975.

While forecasts for U.S. grain output were reduced as the growing season progressed, estimates of Soviet production were revised upwards. Reports of drought in Russia's winter wheat areas had at first caused modest production forecasts but the latest estimates put Soviet wheat and coarse grain output at 215 million tonnes, up a hefty 54 per cent from last year's meagre harvest and just below the record crop of 223 million tonnes in 1973 74. Soviet grain imports in the 1975-76 crop year totalled a massive 26 million tonnes compared with 5 million in the previous year but with an abundant harvest this year imports are likely to be cut at least by half.

Selected World Crop Statistics

	1973*	1974	1975	1976
	(million of metric tons)			
Grain Production				
U.S.A.	233.0	199.3	242.1	256.9
of which				
Corn	143 4	118 4	146 4	149.1
Wheat	46.4	48.9	58 1	58 0
Canada	36.6	30.7	37.0	45.4
of which				
Wheat	16 2	13.3	17.1	23.6
U.S S R	222.5	195.7	139.9	215.0
Australia	16.7	15.9	17.7	13.6
Rice Production				
World	324.3	331.2	351.3	344.0
of which				
China	113 0	120.0	122.0	122.0

*Crop years beginning July 1.

In other areas crops have been generally very good although production in Europe for the second year in a row, and in Australia has suffered because of severe drought Nevertheless, wheat production in western Europe might actually increase this yeor despite the dry weather. Latest estimates put the crop at 51 million tonnes compared with 49 million the year before. Hewever, the total grain crop is estimated at 125 million tonnes down 3 per cent from last year and 12 per cent below the 1974 harvest. Eastern European grain production is estimated to reach 90 million tonnes, a slight 2 per cent gain from last year.

In Australia drought has seriously reduced expected output. Dry weather resulted in a much smaller area sown and wheat production is currently projected at 8 million tonnes compared with 12 million in the previous year.

In Asia, favourable monsoons have resulted in record crops in many countries. Consequently, the often heavy reliance on grain imports has been significantly reduced. China's grain production this year is estimated as being of enormous proportions with the vital rice crop yielding 122 million tonnes. about equal to last year's record harvest. Total grain production in India is forecast to be 20 per cent above the previous year while Pakistan and Bangladesh, usually large importers of grain, have also had very good crops.

Courtesy—Bank of Montreal

TRADE WINDS

Oil Price Hike

ELEVEN OF the 13 members of the Organisation of Petroleum Exporting Countries have decided to put up their prices by 10 per cent from January 1 and by a further five per cent from July 1 next year. Saudi Arabia and its close ally, the United Arab Emirates (UAE) will raise their price by only five per cent. A statement issued at the end of the oil price conference held on December 17 put on record the split inside OPEC over price increases by saying that Saudi Arabia and the United Arab Emirates (UAE) would apply one single rise of five per cent, effective on January 1.

The communique stated that the other 11 members had agreed to increase the basic reference price—for "light Arabia" crude—from $ 11.51 a barrel to $ 12.70 at the beginning of next year, and to $ 13.30 on July 1. It said all other crude prices would be raised by a similar amount. The statement was issued shortly after the final meeting of the three-day conference. The 13 OPEC countries 'unanimously' agreed to recommend steps through the OPEC special fund to assist developing countries in keeping with efforts to achieve a new international economic order, the statement said. It said the conference had therefore decided to increase assistance to developing countries lacking oil by $ 800 million the amount allocated to the special fund in 1976. OPEC countries were prepared to make a contribution from this fund, as indicated at the fourth UN Conference on Trade and Development (UNCTAD's integrated commodity programme).

The statement pointed out, however, that Saudi Arabia and the United Arab Emirates, which dissented on the price issue, felt that the allocation through the special fund was a matter to be decided by OPEC Finance ministers. Both countries would, nevertheless, remain among the principal donor countries. The ministers approved OPEC's 1977 budget and decided to hold the next regular conference of oil ministers on July 12, 1977. They also appointed Mr Ali Mohamad Jaidar of Qatar as OPEC Secretary-General for a two-year period from January 1. He will succeed Mr Feyide of Nigeria.

Effect on India

This country will be hit hard by the oil price hike announced by the OPEC countries. According to oil experts the foreign exchange outgo will shoot up by about Rs 74 crores in a full year at the current level of 13 million tonnes crude imports. This figure is, however, based on the 10 per cent increase by all countries other than Saudi Arabia and UAE, who have decided on only a five per cent rise. Thus in case another five per cent increase envisaged from July is taken into consideration the burden will increase to over Rs 100 crore. Soon after getting the news of escalation in crude prices, the Petroleum minister, Mr K.D. Malaviya, stated that the reported price hike was an unwelcome news for our economy. Conceding that the OPEC countries were well within their rights to secure full value for their product, the minister said that it would all the same hit all developing countries.

Central Rule in Orissa

The President, Mr Fakhruddin Ali Ahmed, issued a proclamation on December 16 under Article 356 of the Constitution assuming to himself all the functions of the government of Orissa and all powers vested in or exercisable by the governor of that state. The state assembly has been kept under suspended animation. By means of another order, the President has directed that all functions of the state of Orissa and all the powers vested in or exercisable by the governor of that state under the Constitution, which have been assumed by him, shall be exercised by the governor of that state under the superintendence, direction and control of the President. Mr M. Ramakrishnayya, at present Secretary in the Ministry of Shipping and Transport, has been appointed as adviser to the governor. He has already reached Bhubaneswar.

Manufacture of Sponge Iron

The ministry of Industry has decided to allow some units in the private sector to manufacture sponge iron. Preference will be given to proposals for manufacture of sponge iron based on solid reductants. The Secretariat for Industrial Approvals has invited applications for industrial licences for the manufacture of sponge iron in the prescribed pro-forma, along with necessary fees etc.

Tariff Values for Gases

The government has revised the tariff value for gases falling under item 14H of the Central Excise Tariff. According to government notification issued an December 14, the tariff values of oxygen, compressed and cleared in cylinders have been raised from Rs 3.00 per cubic metre hitherto Rs 3.20 per cubic metre. The tariff values of oxygen, compressed and cleared through pipelines have been raised from Re 1 per cubic metre to Rs 1.20 per cubic metre. The tariff values for liquid oxygen in terms of gas have been reduced to Rs 1.60 per cubic metre as against Rs 1.95 per cubic metre hitherto.

Curb on Money Supply

Money expansion in the current financial year will not be allowed to exceed 12 per cent against 9.7 per cent last year, the union minister for Revenue and Banking, Mr Pranab Kumar Mukherjee, stated recently. He told the Parliamentary Consultative Committee attached to his ministry that money for further procurement of foodgrains would be found by recycling funds already deployed in grain stocks. In other words, the government will unload some of the stocks before replenishing them through further procurement. At present, more than Rs 2,100 crores of bank credit is locked up in grain stocks, estimated to be over 17 million tonnes.

Mr Mukherjee added that the government was concerned at the price rise since April this year and was keeping a constant vigilance to ensure that it was kept under control.

in future could co-operate, in the processing of coal. He said that his country attached great importance to coal as a source of energy.

Mr Pant said that items included in this long-term trade plans were textile machinery, machine tools and electronic components. Proposals regarding production and co-operation in the field of fisheries, potato, meat and chemicals were being discussed by the two countries. He said that the coal industry in India, which had increased its production from 78 million tonnes to 100 million tonnes in the last two years, was today poised for a pivotal role in the nation's energy economy.

Slurry Pipeline

Kudremukh engineers and the Bechtel specialists, on behalf of Met-Chem Consultants, began their detailed survey work on the 70-km long slurry pipeline on December 7, 1976. The authorities of Kudremukh Iron Ore Company are anxious that during the pipe laying from Kudremukh to the New Mangalore Port, agricultural operations are not disturbed significantly. The government of Karnataka, it is understood, will soon allow the Kudremukh authorities the right of way along approximately 47 kms from Mangalore up to the western side of the Kudremukh hills. About 23 kms of the pipeline will pass over the hilly terrain through the Bhagavati forest and hill. It is estimated that a width of land about 30 metres, 15 metres on either side of the pipeline, will be required for laying this pipeline. The major length of the pipeline passing through Mangalore and nearby areas will be buried four to five feet deep, and will therefore be available for agricultural purposes after the pipe is laid.

Work on the construction of the 48-km Bajagoli-Kudremukh road, the vital link of the Mangalore-Kudremukh highway is in full swing, with elephants pulling down the trees and helping the clearance of the jungle through the Bhagawati forest. Constructed by the Karnataka state PWD this all-weather, eight-metre wide asphalt road has become a challenge to road-builders due to the difficult terrain and weather. Presently the road link between Mangalore and Malleswara, the Kudremukh project site, is 175 kilometres. A new alignment of roads which will reduce the distance to 114 kms, is proposed, connecting Padubidri on the national high way No. 48 north of Mangalore by an existing 40-km approach road. This will be strengthened and developed for the heavy vehicular traffic.

Unit Trust Sales Competition

In July each year the Unit Trust sells units at a concessional rate, which is called the special offer sales. Since July 1972 the Trust has been organising a competition for its agents and brokers spread all over the country to reward those agents and brokers who sold the largest number of units during July. In this year's competition in the northern region 10 agents/brokers won merit prizes and 61 agents/brokers won consolation prizes. The first prize is of the value of Rs 700 and the last prize of Rs 300. Consolation prizes are of the value of Rs 100 each. The total value of all the 71 prizes being given to agents in this region was Rs 11,100. A significant feature this year was that a majority of the agents/brokers had exercised their option to receive prizes in the form of units.

Risk Capital Foundation Loans

The Risk Capital Foundation, sponsored by the Industrial Finance Corporation of India has sanctioned loans for Rs 8.50 lakhs to two technocrats to enable them to provide their share of the promoters' contribution required for implementing their projects. The loans are interest-free and carry only a service charge of one per cent per annum. The loans will be repaid by the promoters from their own income including income from dividends. Mr R.L. Toshniwal, a co-promoter of M/s Banswara Syntex Ltd, was sanctioned a loan of Rs 6 lakhs. With this amount, Mr Toshniwal would be able to contribute his share of the promoter's contribution amounting to Rs 17 lakhs. The project being promoted by Mr Toshniwal in the joint sector along with the Rajasthan State Industrial & Mineral Development Corporation Ltd, envisages the manufacture of synthetic blended yarn. The spinning mill with a complement of 12,320 spindles is being set up at a cost of Rs 3.66 crores and is being located in the notified/industrially less-developed district of Banswara in Rajasthan.

The second loan of Rs 2.50 lakhs was given to Mr N. Venkaiya, a co-promoter of M/s Godavari Plywoods Ltd, a joint sector project being set up in collaboration with the Andhra Pradesh Industrial Development Corporation Ltd. The project envisages the setting up of plywood unit at Ramapachodavaram, a tribal agencyarea in east Godavari district in Andhra Pradesh, for th manufacture of 1.5 million s metres of plywood per annum With the supplementary so loan assistance from th foundation, Mr Venkaiya wou be able to provide the co-pro moter's contribution of Rs 1 lakhs required for establishin the project with a capital cos of Rs 1.42 crores. The balanc of the promoter's contributio is being provided by the Andhr Pradesh Industrial Development Corporation Ltd.

Import of Textile Machinery Resented

The textile machinery industry will suffer a major setbac in its export promotion driv if the government permitte import of complete textile mills the chairman of the Textil Machinery Manufacturers Association, Mr Suresh Mehta stated recently in New Delhi He was referring to the government's decision to permit a ad hoc import of three complete textile mills for producin export textiles.

He explained that this step was coming at a time when the industry was exportin sophisticated machinery to various countries in the world, including some advanced countries. Besides, the industry was in a position to supply 90 per cent of the equipment needed for the type of textile mills the National Textile Corporation was being allowed to import. He added that the government's decision to liberalise imports to allow Rs 1 crore worth of textile machinery equipment to be imported by textile units would also hurt the industry which was striving for increased supplies to the domestic market.

Mr Mehta pointed out that the industry with an investment of Rs 100 crores and production capacity of Rs 250 crores per annum, suffered from under-utilisation of capacity. The capacity utilisation had gradually come down from 75 per cent up to 1965 to 38 per cent in 1975-76. Against the total capacity of Rs 250 crores, he anticipated the production this year to be Rs 100 crores only. In order to increase the capacity utilisation, the industry was making a determined effort to boost exports against stiff international competition and under-cutting efforts by some of the major exporters in the world market.

Iron and Steel Exports

Indian steel has become a force to reckon with in the international market. According to a review presented recently at the quarterly review meeting of senior steel executives, presided over by the minister for Steel and Mines, Mr Chandrajit Yadav. India had exported during the eight months from April to November this year, a total quantity of 1 67 million tonnes of iron and steel valued at Rs 224 crores. This performance registers a 353 per cent increase over what was achieved during the corresponding eight months of last year in terms of quantity. It is actually 108 per cent more than the total performance during the whole of the year 1975-76. Value-wise it worked out to 98 per cent over that of the whole of last year.

India's exports consisted of 988, 885 tonnes of pig iron valued at Rs 71.78 crores, 474,573 tonnes of billets valued at Rs 65.95 crores, 786,640 tonnes of bars and rods valued at Rs 68.82 crores, 94,588 tonnes of structurals valued at Rs 19.17 crores. This performance has been in the background of a fluctuating climate in the international market for iron and steel. But for this, the performance would have been a still more spectacular breakthrough. The review showed that during the opening months of the current financial year there was a hope that markets would get firmed up. However, these hopes did not fructify and by the end of June a declining trend was visible. During the last 3 months particularly there has been a sharp decline in the international price.

A high-level Indian delegation headed by the managing director of SAIL International and senior officers of Bokaro and Rourkela recently toured important buying centres in the United States, South America, United Kingdom and Europe. They managed to book orders for 150,000 tonnes of pig iron and trial order for 15,000 tonnes of rolled coil from Bokaro.

US Order

An important order for which negotiations have been initiated in the US is for the sale of 120,000 tonnes of slabs from Bokaro which envisaged a monthly shipment of 20,000 tonnes per month. The SAIL International participated in a number of global tenders and secured more than 23 of them against stiff international competition. Even in countries where traditionally sophisticated suppliers like Japan had virtual monopoly, SAIL International has been able to make inroads and secure global tenders as in the case of rails in South Korea. The steel plants have also risen to the occasion to meet the challenges posed by our export requirements particularly in the matter of specifications, quality, size etc.

Form III—A (See Rule 4A [1])

Form of General Notice to be given to the members of the public before making an application to the Central Government under sub-section (2) of Section 23 of the Monopolies and Restrictive Trade Practices Act, 1969.

It is hereby notified for the information of the public that LIPTON (INDIA) LIMITED and CAMPBELL & CO. (SOUTH INDIA) LIMITED propose to make an application to the Central Government in the Department of Company Affairs, New Delhi, under sub-section (2) of Section 23 of the Monopolies and Restrictive Trade Practices Act, 1969, for approval to their scheme of merger/amalgamation with a new Rupee Company which is proposed to be incorporated in the State of West Bengal under the name and style of "LIPTON TEA (INDIA) LIMITED" or such other name as may be permitted by the Registrar of Companies. Brief particulars of the Scheme are as under :—

1) Name and address of the applicant undertaking :
   (i) LIPTON (INDIA) LIMITED, a Company incorporated in U.K. having its Registered Office at Station Avenue, Walton-On-Thames, Surrey, U.K., and its principal place of business in India at 9, Weston Street, Calcutta-700013.
   (ii) CAMPBELL & CO. (SOUTH INDIA) LIMITED, a Company incorporated in India and having its Registered Office at Bristow Road, Wellingdon Island, Cochin.

ii) Management structure of the undertaking(s) proposed to be merged/amalgamated :—

Lipton (India) Limited is managed by a Board of Directors consisting of Mr. J.N. Perkins, Mr. D.M Boll, Mr. D F. Jeffrey and Mr. W.J. Sayers.

Campbell & Co. (South India) Limited is managed by a Board of Directors consisting of Mr. H.V.J. Wait, Mr. R.R. Khullar and Mr. R. Mukerji.

iii) Capital structure of the undertaking(s) proposed to be merged/amalgamated :—

The Authorised and Paid-up Capital of Lipton (India) Limited consists of 1,125,000 Equity Shares of £ 1 each, fully paid up. All the aforesaid shares are held by Unilever Limited, U.K. and its seven nominees.

The Authorised and Paid-up Capital of Campbell & Co. (South India) Limited consists of 1,200 Equity Shares of Rs. 100/- each, fully paid up. Out of the aforesaid 1,200 shares, 1,080 shares are held by City Ceylon Tea Agency Limited, U.K. and the remaining 120 shares are held by Heath & Co. (Calcutta) Private Limited.

iv) Present activities of the undertaking(s) proposed to be merged/amalgamated :—

Lipton (India) Limited is mainly engaged in the manufacture and marketing of packeted teas in India. The Company also makes for its captive use, tea packaging and other machines.

Campbell & Co. (South India) Limited is mainly engaged in export of manufactured teas, bulk-blended teas and packet teas from India to various countries.

v) Reasons, in brief, for the proposed merger/amalgamation :—

The amalgamation is proposed for the purpose of reducing the non-resident interest in the Applicant Companies in conformity with the provisions of the Foreign Exchange Regulation Act, 1973.

vi) Details of the exchange ratio/consideration proposed for shareholders/creditors, etc. of the amalgamated/merged undertaking :—

The shareholders of the amalgamating Companies, viz. Lipton (India) Limited and Campbell & Co. (South India) Limited will be issued shares in the New Rupee Company for an amount equivalent to the estimated total net assets value of the amalgamating Companies as on 31st December, 1976, less Development Rebate Reserve, Capital Reserve due to revaluation of fixed assets made in 1964 and profits/proposed dividends pending remittance as on the said date. The net assets value of the amalgamating Companies as on 31st December, 1976, less the aforesaid Reserves and profits/proposed dividends pending remittance as on the said date is estimated at Rs. 2,69,51,918/-. Any profit or loss made by the amalgamating Companies between 1st January, 1977, and the Transfer Date (being the date the Courts may appoint for vesting the assets and liabilities of the amalgamating Companies in the New Rupee Company) shall be to the account of the shareholders of the amalgamating Companies. After shares have been issued as aforesaid, the New Rupee Company will make a public issue and ensure that the non-resident interest does not exceed 40 per cent of its total Paid-up Capital.

2. Any person interested in the matter may make a representation to the Secretary, Department of Company Affairs, Government of India, Shastri Bhavan, New Delhi, within 14 days from the date of publication of this Notice, intimating his views on the proposal and indicating the nature of his interest therein.

For and on behalf of Lipton (India) Limited,
Sd/-
(R.R. Khullar)
Chief Finance Executive.

For and on behalf of Campbell & Co. (South India) Limited,
Sd/-
(R.R. Khullar)
Director.

Dated this 15th day of December, 1976.

The Scindia Steam Navigation Co. Ltd.

Summary of the Statement of Shri Krishnaraj M. D. Thackersey, Chairman, The Scindia Steam Navigation Co., Ltd., made at 57th Annual General Meeting of the Shareholders on Wednesday, the 22nd December, 1976 at Bombay.

While presenting the accounts for 1975-76 of The Scindia Steam Navigation Co. Ltd., Shri Krishnaraj M.D. Thackersey, Chairman of the Company, drew the attention of the shareholders to the decline in the net profits of the Company to Rs. 2.84 crores from Rs. 10.66 crores of the previous year. He attributed the drastic fall in the net profit to the steeply rising cost of operations and sharp fall in freight index.

He also observed that for the current year 1976-77, the financial results of the Company would not be far different from that of 1975-76 due to continuing rise in operational costs and the likelihood of further hike in oil prices.

Shri Thackersey also referred to the reported decision of the Government of India in revising the tonnage target from 8.6 million GRT with one million GRT on order, to 6.5 million GRT for the Fifth Five-Year Plan, due to various reasons including decline in the import of crude oil and foodgrains. He also highlighted the gains of national emergency inter alia, in disciplining and streamlining all the sectors of national economy, yielding to industrial peace and higher productivity.

He thanked Dr. G.S. Dhillon, the Minister for Shipping and Transport, Shri H.M. Trivedi, the Minister of State for Shipping and Transport, Secretaries of the Ministries of Transport and Shipping, Finance, Director General of Shipping, and all those who have been of help.

Following is the summarised statement of the accounts of the Company for the year.

Balance Sheet as on 30th June, 1976

	Rs
GROSS BLOCK	1,61,42,53,135
Less: Depreciation	54,88,46,578
	1,06,54,06,557
Investments	2,47,25,096
Net Current Assets	16,66,59,769
ASSETS	1,25,67,91,422
BORROWINGS	
Govt. & S.D.F.C. Loans	17,37,29,369
Other Loans	54,95,70,652
LIABILITIES	72,33,00,021
CAPITAL AND RESERVES	
Equity Capital	13,53,27,580
Reserves	39,81,63,821
NET WORTH	53,34,91,401
TOTAL CAPITAL EMPLOYED	1,25,67,91,422

Profit and Loss Account for the year ended 30th June, 1976.

EARNINGS	
Freight and Passage	88,46,36,427
Income from Investments and Deposits etc.	3,26,34,348
Other receipts	47,89,114
	92,20,59,889
EXPENSES AND PROVISIONS	
Floating and Shore Staff Costs	9,64,91,344
Cargo and Steamer working expenses	63,31,87,063
Interest paid on Borrowings	4,18,03,165
Establishment and other Office Expenses	2,00,55,923
Depreciation	7,52,78,364
Directors' Fees and Remuneration	3,85,550
Provision of Taxation	2,65,00,000
	89,37,01,409
BALANCE	2,83,58,480
Surplus on sale of assets	1,467
Profit for the year	2,83,59,947

NOTE: This does not purport to be the proceedings of the annual general meeting of the company.

COMPANY AFFAIRS

Brooke Bond

BROOKE BOND India Limited has reported excellent working results during the period June 29, 1975 to July 3, 1976. Profit before taxation recorded a sharp rise to Rs 5.33 crores from Rs 4.47 crores in 1974-75, while profit after taxation too recorded a smart rise to Rs 2.08 crores from Rs 1.67 crores in the preceding year. Sales during the year amounted to Rs 158.30 crores as compared to Rs 141.22 crores in the earlier year.

Several reasons contributed to these encouraging results. The company took very effective steps to control costs, to improve productivity and carried out innovations in packaging. All these together with better sales performance especially on the export side have contributed to the appreciable rise in profits of the company.

During 1975-76 exports were again a record and reached Rs 37.34 crores, representing an increase of 20 per cent over the previous, year's figure. The company was awarded the Tea Board Prize for its performance as the highest exporter of packet tea in 1974. In addition to this, an award for top most exports of spices to general currency area for 1974-75 and a certificate of merit for developing a new product have recently being given to this company. The company is continuing its drive for increasing exports.

In August 1976 the company allotted to its members bonus shares in the ratio of seven new shares for every 10 held. Subsequently in September 1976 the company offered rights shares at a premium of Rs 3 per share to Indian nationals resident in India in the ratio of one share for every share held including the bonus shares allotted in August 1976.

The company has now converted the letter of intent received earlier for establishing a meat processing plant into a licence. Land has been acquired in Aurangabad. The project is likely to be on stream late in 1977 or early in 1978.

New Project

The pilot plant for extraction of oleoresins designed and developed by the company's research and development department is now in operation and the initial product on evaluation is reported to be of an excellent quality.

The department which manufactures high speed printing and packaging machines has had some initial successes. The first printing machine has been exported to Africa during the year and the company has received orders from well established Indian packers in consumer goods.

Bank of India

Bank of India having recently concluded negotiations with the Nigerian government whereby the latter has acquired as from the September 30, 1976, 56.66 per cent of the share capital of the Bank of India (Nigeria) Limited in which, upto that date, Bank of India had majority shareholding.

Bank of India's share in the equity has thus been reduced to 40 per cent as required under the terms of the Nigerian government policy for indigenisation.

Bank of India will, however, continue to provide technical services and management assistance to The Bank of India (Nigeria) Limited.

Somany Pilkington's

The year 1975-76 has again been a most successful year for Somany Pilkington's Limited. The excellent working of the company during the year has resulted in a 40.48 per cent increase in production while sales have gone up substantially to Rs 334 lakhs from Rs 233 lakhs in 1974-75. The gross profit too was higher at Rs 79.73 lakhs as compared to Rs 66.04 lakhs in 1974-75.

Out of the gross profit, the directors have appropriated a sum of Rs 8.69 lakhs to depreciation reserve, Rs 6.94 lakhs as provision for dividend and Rs 34.70 lakhs for taxation. The disposable surplus has been transferred to general reserve. The directors have recommended an equity dividend of 20 per cent and 9 5 per cent on preference shares. Besides the directors have recommended a 1:1 bonus issue, the sanction of which is still awaited from the Controller of Capital Issues.

Exports during the year almost trebled to Rs 14.07 lakhs from Rs 5.42 lakhs in 1974-75. The company's present installed capacity is 10,800 tonnes of glazed wall tiles per annum but it will be raised to 16,000 tonnes by the middle of next year. Registration of capacity to produce 21,000 of tiles and 850 tonnes of bathroom accessories will be sanctioned after deregistration from MRTP for which all necessary formalities have been completed.

Shree Synthetics

Sales of Shree Synthetics Limited during the year ended June 30, 1976 have increased to Rs 15.44 crores from Rs 7.42 crores in 1974-75. During the year under review the company earned gross profit of Rs 2.61 crores. The directors have recommended an equity dividend of 12 5 per cent on 24,37,500 equity shares of Rs 10 each and pro-rata on 1,48,100 equity shares on Rs 10 each allotted to Industrial Development Bank of India on March 8, 1976.

A record production of 1223 tonnes was achieved during the year under review as against 495 tonnes in the previous year. It is hoped that this production would be maintained in the current year if sufficient supply of raw material is available.

Increased Capacity

At the request of the company the government has revised the licensed capacity of Nylon-6 yarn from 810 to 720 tonnes and Polyester yarn from 270 to 360 tonnes per annum within the overall licensed capacity of 1080 tonnes per annum.

The monomer recovery plant for recovering Caprolactum from Polymer waste has been commissioned from March 1976.

The company has obtained import license for the import of capital equipment worth Rs 43.70 lakhs for its Poly-Condensation plant. The Industrial Credit and Investment Corporation of India Limited has sanctioned the necessary foreign currency loan to finance the foreign exchange cost of the project.

The company has also received the government's permission for expanding its licensed capacity from 1080 tonnes to 2100 tonnes per annum of Nylon and Polyester yarns. Necessary steps are being taken for the implementation of the project in respect of which clearance for import of capital goods worth about Rs 1.80 crores has been granted by the central government.

Consolidated Coffee

Consolidated Coffee Limited has reported significant improvements in its working results during year ended June 30, 1976. Its income recorded a handsome rise to Rs 4.62 crores from Rs 4.20 crores in 1974-75 while gross profit too registered a handsome increase to Rs 196.93 lakhs from Rs 180.71 lakhs in the preceding year. After providing for taxation, the net profit was still substantially higher at Rs 73.43 lakhs as against 67.01 lakhs in the earlier year. After making adjustments there is a disposable surplus of Rs 78 70 lakhs. Out of this a sum of Rs 14.52 lakhs was transferred to general reserve No. 1, Rs 1.17 lakhs for the payment of the proposed preference dividend and Rs 62.61 lakhs for the recommended equity dividend, leaving a balance of Rs 40,107 to be carried forward to the next year's account. The directors have recommended a preference dividend of 6.2548 per cent and a dividend of 25 per cent on equity shares.

Satisfactory Results

Veerajendra Estates Limited, a subsidiary of Consolidated Coffee, has also reported satisfactory working results during the year ended June 30, 1976. It has earned a profit of Rs 2.41 lakhs after providing for taxation. A dividend of 15 per cent has been declared for the year.

Southern Veneers and Woodworks Limited, another subsidiary company of Consolidated Coffee Limited, too has reported encouraging working results during the year ended May 31, 1976. The company has reported a profit of Rs 1.74 lakhs after allowing for taxation. Having regard to the need for conserving the resources of the company the directors have not recommended any dividend.

News and Notes

American Express Credit Corporation (Credco) has announced the calling in for redemption of all of its outstanding $50,000,000 6½ per cent Senior Notes due April 1, 1977.

The redemption date is January 11, 1977. Holders who surrender their notes to the Trustee, United States Trust Company of New York, 130 John Street, New York, New York 10038, will receive the principal amount of the notes, plus accrued interest due up to January 11, 1977. The notes were issued on April 1, 1972.

Credco is a wholly owned subsidiary of American Express Company that purchases American Express Card receivables.

Tata Iron and Steel Company has received permission from the Controller of Capital Issues to raise the paid-up value of its equity share from Rs 75 to Rs 100.

J.K. Synthetics has developed an indigenous Nylon-6 battery separator fabric for use in nickel cadmium batteries. The indigenous manufacture of the fabric, a development for the first time in the country, is expected to save foreign exchange worth about Rs 1 crore for every one million sets of sealed type nickel cadmium batteries.

Major natural rubber producing countries—India, Malaysia, Indonesia and Sri Lanka—will have to face a new competitor as American experiment to develop rubber from weeds become a reality. Dr James D. D'Ianni, director of research of **The Goodyear Tyre and Rubber Company** says "US plant species such as guayule, milkweed and ragweed are being seriously considered by scientists as crops for natural rubber production". The world of rubber is closely connected with the world of oil, as 66 per cent of the world's rubber requirements is met by synthetic rubber production. The continuous increase in oil, price has directed the scientists to look for an alternative source of rubber supply.

New Issues

Sahney Paris-Rhone Ltd is offering 245,000 equity shares of Rs 10 each and 12,500 (11 per cent) redemable cumulative preference shares of Rs 100 each for cash at par to the public for subscription. The subscription list for this full underwritten issue opened on December 15 and will close on December 27 or earlier but not before December 17, 1976.

The company is setting up a modern sophisticated plant for the manufacture of 70,000 numbers each of starters, generators/alternators and voltage regulators at Patancheru Medak district in Andhra Pradesh. The company has entered into an agreement with Paris-Rhone S.A. France. The products to be manufactured by the company are used in commercial vehicles, jeep, tractors, passenger cars, defence vehicles, stationary engines, marine engines an compressors.

It is a well known fact tha the growth of the automoti industry plays a very vita role in the general economi growth for which the countr is presently poised. Th demand for commercia vehicles is therefore increasing Similarly, agricultural secto has received a necessary priority and hence a tremendou increase in demand for tractors is also expected. Sufficien markets will therefore b available to the company' products. Further because o the introduction of the lates designs developed by the company's French collaborators incorporating technological changes that have taken place in the western world over the last 10-15 years, the company is expected to have an advantage over its competitors

Besides the possibility of export to various countries, especially where French vehicles are popular, the company expects to export a substantial percentage of its production

FOREST DEPARTMENT BIHAR

State Trading in Kendu Leaves.

Tenders on prescribed form are invited from persons and parties for the purchase of Kendu Leaves to be collected in the different Kendu Leaf units in Bihar. For many of the units tenders have also been invited for 3 years-lease. The last date of receipt of tenders for the various Divisions lies between January, 4 to January 11, 1977. For details please contact the Divisional Forest Officer concerned or the undersigned or the extraordinary issue of the Bihar Gazette dated 6th December, 1976.

Addl. Chief Conservator of Forests (MFP)
Ranchi-834002 Bihar.

the collaborators M/s aris-Rohne S.A.

The present issue is being ade with the object of provid- g part of the finance requir- d for setting up of the project nd also to meet the expenses f the issue

Capital and Bonus ssues

Consent has been granted to e following companies to ise capital. The details are s follows.

Sri Ramdas Motor Transport imited has been accorded onsent, valid for six months, capitalise Rs 2.25 million ut of its general reserve and sue fully paid equity shares f Rs 50 each as bonus shares the ratio of one bonus share or every two equity shares eld.

Automatic Electric Limited, ombay has been accorded onsent, valid for six months, capitalise Rs 3,823,700 out f its general reserve and issue ully paid equity shares of s 100 each as bonus shares the ratio of three bonus hares for every four equity hares held.

Travancore Electro-Chemical ndustries Ltd. has been ac- orded consent, valid for six months, to capitalise Rs 3.5 million out of its general reserve and issue fully paid equity shares of Rs 100 each in the ratio of one bonus share for every two equity shares held.

Trackparts of India Limited has communicated to government of its proposals to issue capital under clause (5) of the Capital Issues (Exemption) Order, 1969 for Rs 4.282,000 (exclusive of the capital already raised) in 428,200 equity shares of Rs 10 each for cash at par, to the public by a prospectus, to provide a part of finance required for the manufacture of steel forgings.

Consulting Engineering Services (India) Pvt Ltd has been accorded consent valid for six months, to capitalise Rs 56,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for each equity share held.

Chokshi Tube Co Pvt Ltd, Ahmedabad has been accorded consent, valid for six months, to capitalise Rs 1,375,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every two equity shares held.

British Physical Laboratories Limited, Palghat, Kerala has been accorded consent, valid for six months to capitalise Rs 500,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for two equity shares held.

The Mysore Plywoods Limited, Bangalore has been accorded consent, valid for 18 months, for the issue of equity shares of Rs 1.8 million at par on right basis in the ratio of 1:1. The proceeds of the issue will be utilised to meet working capital requirements.

Analytical Testing Services Private Limited, New Delhi has been accorded consent valid for six months, to capitalise Rs 8,000 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of two bonus shares for every three equity shares held.

Oriental Carbon Limited A new public company, has been accorded consent for issue of capital of Rs 20 million (inclusive of the capital already raised) in two million equity shares of Rs 10 each, for cash at par, out of which shares worth Rs 13 6 million will be offered to the public by a prospectus. The proceeds will be utilised for providing a part of the finance required for the manufacture of carbon black. The consent order is valid for 18 months only.

Kidarnath Kishanchand Private Limited, Bombay has been accorded consent, valid for six months, to capitalise Rs 1,932,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for each equity share held.

Camphor & Allied Priducts Ltd, Bombay has been accorded consent, valid for six months, to capitalise Rs 4.5 million out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every two ueqity shares held.

Forbes, Forbes Campbell & Co. Ltd Bombay has been accorded consent, valid for six months, to capitalise

RECORDS AND STATISTICS

A Quarterly Bulletin of "Eastern Economist" this publication surveys important developments in each quarter in the various fields of the national economy as well as in the world economy, organizes its material in convenient form and illustrates it with diagrams, graphs and charts. Its features are a business roundup, an analysis of markets and an investment supplement.

The Bulletin averages 64 pages and is priced at Rs 5 per copy. The annual subscription is Rs 20.

Inquiries regarding subscription and advertisement may be addressed to :

The Manager,
The Eastern Economist Ltd,
Post Box No. 34, New Delhi-1

Rs 3,210,960 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus share in the ratio of one bonus share for every three equity shares held.

Light Publications Limited Baroda has been accorded consent, valid for six months, to capitalise Rs 160,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of two bonus shares for every five equity shares held.

Orichem Limited has communicated to the government of its proposals to issue capital under Clause 5 of the Capital Issues (Exemption) Order 1969 for Rs 10.5 million (inclusive of the capital already raised) in equity shares of Rs 10 each for cash at par, out of which shares worth Rs 5.15 million will be offered to the public through a prospectus, to meet part of the finance required for setting up a sodium dichromate project.

Orient Steel and Industries Ltd has been accorded consent, valid for six months, to capitalise Rs 20.16 lakhs out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for every equity share held.

Kishan Chand Spinning Mills Limited, Bombay, has been accorded consent, valid for six months, to capitalise Rs 5 lakhs out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of five bonus shares for every eight equity shares held.

Madanapalle Spinning Mills Ltd, Chittoor, has been accorded consent, valid for six months, to capitalise Rs 6 lakhs out of its general reserve and issue fully paid equity shares of Rs 50 each as bonus shares in the ratio of one bonus share for every four equity shares held.

Kerala Kaumudi Private Limited has been accorded consent, valid for six months, to capitalise Rs 5.25 lakhs out of its general reserve and issue fully paid equity shares of Rs 1000 each as bonus shares in the ratio of one bonus share for every equity share held.

Prabhat Solvent Extraction Industries Private Limited has been refused permission for issue of bonus shares of Rs 10 lakhs.

Rolcon Engg. Company Limited has been refused permission for issue of bonus shares of Rs 8.40 lakhs.

Dividend

(Per cent)

Name of the company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Shalimar Wires	June 30, 1976	12.0	8.0
Jayshree Chemicals	March 31, 1976	10.0*	Nil
Rajasthan Spg. & Wvg. Mills	Sept. 30, 1976	15.0	7.5
Consolidated Coffee	June 30, 1976	25.0	20.0
Same Dividend			
Star Paper Mills	March 31, 1976	15.0	15.0
Voltas	August 31, 1976	12.0	12.0
Paper and Pulp	July 31, 1976	12.0	12.0
Reduced Dividend			
Mettur Beardsell	March 31, 1976	20.0	25.0
Rohtas Industries	March 31, 1976	Nil	6.0
Alkali & Chemical Corpn.	Sept. 30, 1976	15.06	15.66

*Maiden dividend.

Government of India

6 PER CENT LOAN 1993 (THIRD ISSUE) TO BE ISSUED AT RS. 99.25 PER CENT AND REPAYABLE AT PAR ON 26TH OF JULY 1993.

6¾ PER CENT LOAN 2003 (SECOND ISSUE) TO BE ISSUED AT Rs 100.00 PER CENT AND REPAYABLE AT PAR ON 26TH OF JULY 2003.

Subscriptions to the above loans will be received simultaneously and will be limited to a total of Rs 100 crores (approximately). Subscriptions may be in the form of cash/cheque. Government reserve the right to retain subscriptions upto ten per cent in excess of the notified amount.

2. If the total subscriptions received for the loans exceed the notified figure plus the amount of ten per cent retainable as aforesaid, partial allotment will be made in respect of the subscriptions received and the balance refunded in cash as soon as possible

3. Interest for the period 28th December 1976 to 25th January 1977 inclusive will be paid on 25th January 1977 and thereafter interest will be paid half-yearly on 26th July and 25th January.

4. Interest on both the loans now issued together with interest on other previous Government securities and income from other approved investments will be exempt from income-tax subject to a limit of Rs. 3,000 per annum and subject to other provisions of Section 80L of the Income-tax Act, 1961. The value of the investments in the loans now issued together with the value of other previous investments specified in Section 5 of the Wealth Tax Act will also be exempt from the Wealth Tax upto Rs. 1,50,000/-.

5. Subscription lists for the new loans will open on the 28th of December 1976 and close on 30th of December 1976 or earlier without notice.

Applications for the loans will be received at :

(a) Offices of the Reserve Bank of India at Ahmedabad, Bangalore, Bombay (Fort and Byculla), Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna; and

(b) branches of the State Bank of India at all places in India except at (a) above

(6) Securities will be issued in the form of Promissory Notes or Stock Certificates. The advantages of investing in the form of Stock Certificates are as under :

(i) It is safer than a Government Promissory Note as the name of the holder is registered in the books of the Public Debt Office.

(ii) The Stock Certificate will be sent to the applicant direct by registered post by the Public Debt Office.

(iii) The half yearly interest will be remitted to the holder direct by an interest warrant drawn at par on any Treasury or State Bank branch stipulated by the holder. If the holder so desires, the interest will be remitted by Money Order after deducting the Commission charges; in respect of Stock Certificates where the net amount of interest to be remitted is less than Rs. 20/- no money order commission will be charged.

(iv) If the holder wishes to sell his securities he can do so by signing the transfer form printed on the back of the Certificates in the manner prescribed therein.

(v) Government Promissory Notes in exchange for the Stock Certificates can be obtained by applying to the Public Debt Office and on payment of a nominal fee for each new note required.

7. For any further clarification, please apply to any of the offices or branches mentioned in paragraph 5.

RECORDS & STATISTICS

Wholesale prices

THE OFFICIAL wholesale prices index (Base 1961-62=100) stood at 312.2 during the week ended 20th November, 1976 as against 311.7 for the immediately preceding week and 313.3 for the corresponding week of last month. Compared with the last week, the index showed a small rise of 0.2 per cent but was lower by 0.4 per cent when compared with the corresponding week of the last month.

The index for **Food Articles** stood at 342.3 as against 342.0 for the earlier week.

Items which showed variations during the week were : cardamoms (+10 per cent), coconut oil (+4 per cent), masoor, mustard oil and vanaspati (+3 per cent each), jowar, maize, regi, onions, gingelly oil, fish and coffee (+2 per cent each), barley, potatoes and turmeric (+1 per cent each); oranges (-9 per cent), betelnuts (—4 per cent), bananas (—3 per cent), groundnut oil (—2 per cent), wheat, bajra, moong, urad, milk, ghee, eggs, sugar, khandsari, black pepper and chillies (—1 per cent each).

The index for **Liquor and Tobacco** rose by 0.1 per cent to 332.8 as against 332.3 for the previous week.

The index for **Fuel, Power, Light, and Lubricants** group moved up by 0.2 per cent to 371.8 when compared with 371.0 for the earlier week due to an increase in the prices of castor oil (+3 per cent) and electricity (+1 per cent).

Higher prices of raw hemp and clay china (+15 per cent

Index Numbers of Wholesale Prices by Groups and Sub-groups (Base 1961-62=100)

Group & Sub-groups	Week Ended 20.11.76	13.11.76 (Provisional)	23.10.76	25.9.76 (Final)	22.11.75
All Commodities	**312.2**	**311.7**	**313.3**	**312.8**	**300.8**
Food Articles	**342.3**	**342.0**	**346.0**	**344.2**	**343.6**
Foodgrains	318.2	317.3	311.6	309.9	341.2
Cereals	307.2	306.4	304.9	305.5	320.5
Pulses	368.1	366.8	341.6	329.7	434.7
Fruits and Vegetables	281.6	288.1	293.0	296.6	293.4
Milk and Milk Products	344.6	348.1	356.3	351.7	347.2
Edible oils	345.0	341.2	346.8	334.2	289.3
Fish, Eggs and Meat	656.7	649.5	672.3	638.8	661.8
Sugar and Allied Products	337.0	339.6	362 0	376.5	221.9
Others	311.1	307.2	298.8	344.2	324.6
Liquor and Tobacco	**332.8**	**332.3**	**345.0**	**341.6**	**321.7**
Liquor	197.0	197.0	197.0	197.0	197.0
Tobacca	339.1	338.5	351.8	348.2	327.5
Fuel, Power, Light and Lubricants	**371.8**	**371.0**	**370.9**	**370.9**	**361.7**
Coal	331.6	331.6	331.6	331.6	331.6
Coke	423.4	423.4	423.4	423.4	423.4
Mineral Oils	422.5	422.5	422.5	422.5	408.9
Rectified Spirit	1404.7	1404.7	1404.7	1404.7	1404.7
Electricity	258.5	255.3	255.3	255.3	248.8
Castor oil	390.8	378.0	370.6	370.6	265.1
Industrial Raw Materials	**324.0**	**323.1**	**322.0**	**323.3**	**261.4**
Fibres	319.0	318.0	304.0	312.8	224.1
Oilseeds	359.7	358.7	365.6	363.3	288.4
Minerals	214.4	214.0	214.0	214.0	242.8
Others	270.5	270.3	273.2	269.7	269.4
Chemicals	**291.0**	**291.0**	**287.9**	**283.7**	**323.5**
Machinery and Transport Equipment	**257.1**	**257.8**	**258.2**	**258.6**	**262.0**
Electrical Machinery	247.7	248.0	248 0	248.4	264.0
Non-Electrical Machinery	287.0	285.2	289.6	289.7	287.9
Transport Equipment	211.5	211.5	210.6	211.7	213.4
Manufactures	**266.4**	**265.6**	**264.8**	**265.1**	**252.1**
Intermediate Products	**336.8**	**335.1**	**333.0**	**335.6**	**336.3**
Textile yarn	289.4	257.6	255.6	200.2	219.4
Leather	321.6	321.6	321.4	302.1	275.3
Metals	416.0	417.7	418.8	419.1	411.5
Linseed Oil	367.9	351.1	331.0	316.7	267.6
Finished Products	**249.3**	**248.5**	**248.3**	**249.1**	**240.2**
Textiles	229.2	227.4	227.1	227.4	220.2
Metal Products	301.6	301.6	301.6	301.6	299.9
Non-metalic Products	299.0	300.0	302.8	305.6	206.6
Chemical Products	266.0	266.0	266.1	266.5	266.6
Leather Products (Shoes)	147.1	147.1	147.1	147.5	149.0
Rubber Products	238.3	238.3	238.3	238.3	238.3
Paper Products	222.9	222.9	222.2	212.5	220.2
Oilcakes	377.2	364.8	352.2	344.2	252.0
Miscellaneous Products	174.0	174.0	174.0	174.0	173.8

Source : Office of the Economic Adviser, Dept of Industrial Development each), gingelly seed (+7 per cent), raw silk and castor seed (+3 per cent each), liseed, cottonseed and copra (+2 per cent each) and rapeseed (+1 per cent) raised the index for **Industrial Raw Materials** by 0.3 per cent to 324.0 as against 323.1 for the previous week. However, the prices of groundnuts showed a fall (—3 per cent).

The group index for **Chemicals** stood stationary at its earlier week's level of 291.0. At this level, the index recorded a fall of 9.9 per cent when compared to that of a year ago.

The index for **Machinery and Transport Equipment** group registered a fall of 0.3 per cent to 257.1 owing to a decline in the prices of machinery other than electric (—1 per cent). At this level, the group index witnessed a fall of 1.9 per cent than that of a year ago.

Manufacturers group comprising of (a) Intermediate products and (b) Finished products moved up by 0.3 per cent to 266.4 as against 265.5 for the previous week.

(a) The index for **Intermediate Products** went up by 0.5 per cent to 336.8 as against 335.1 for the previous week due to an increase in the prices of linseed oil (+5 per cent) an cotton yarn (+1 per cent).

(b) The index for **Finishe Products** also advanced b 0.3 per cent to 249.3 as agains 248.6 for the previous wee due to an increase in the price of oilcakes (+3 per cent) an woollen manufactures (+2 p cent). The prices of bricks an tiles (—1 per cent), however fell.

Money Supply with the Public

(Rs crores)

Week ended	1975	1976		Variations over				
	Nov. 21	Nov. 12	Nov. 19	Week	Month	End Oct.	End March	Year
Money Supply with the Public (M1)	12,170	14,097	14,063	—34	191	175	1,384	1,893
Currency with the public	6,567	7,458	7,369	—89	39	51	636	802
Other deposits with the Reserve Bank	49	110	109	— 1	—4	—16	55	60
Bank money	5,554	6,529	6,585	56	156	140	693	1,031
Factors Affecting Money Supply								
Net bank credit to Government sector	10,695	10,710	10,678	—32	12	91	645	—17
Reserve Bank	7,483	6,755	6,732	—23	—47	76	28	—751
Others Banks	3,212	3,955	3,946	— 9	59	15	617	734
Bank credit to commercial sector	12,079	14,826	14,961	135	281	294	1,421	2,882
Reserve Bank	640	796	806	10	—8	—7	85	166
Other Banks	11,439	14,030	14,155	125	289	301	1,336	2,716
Net foreign exchange assets of banking sector	462	1,770	1,783	13	107	43	717	1,321
Govt's net currency liabilities to the public	551	553	550	—3	1	—1	—3	—1
Non-monetary liabilities of banking sector	11,617	13,762	13,909	147	210	252	1,396	2,292
Time deposits with banks	8,290	10,507	10,559	52	147	76	1,853	2,269
Net non-monetary liabilities of								
RBI	2,258	2,459	2,475	16	—3	—3	—95	217
Residual	1,069	796	875	79	66	179	—362	—194
Aggregate Monetary Resources (M2)	20,460	24,604	24,622	18	338	251	3,237	4,162

$M_2 = M_1 +$ Time deposits

Source: Reserve Bank of India.

Reserve Bank of India

(Rs crores)

Week ended	1975	1976		Varitations over		
	Nov. 28	Nov. 19	Nov. 26	Week	Month	Year
Notes in circulation :	6,285	7,210	7,133	—77	—18	848
Notes issued	6,310	7,225	7,148	—77	—37	838
Notes held in banking department	25	16	16	—2	—19	—11
Deposits :						
Central and state governments	72	73	71	— 2	—87	— 1
Scheduled commercial banks	495	849	943	94	132	448
Scheduled state cooperative banks	18	23	23	—	1	5
Other banks	2	3	3	—	—	1
Others	1,302	1,861	1,863	2	7	561
Other liabilities	1,997	1,941	1,980	39	66	—17
Total liabilities/assets	10,172	11,959	12,016	57	109	1,844
Foreign exchange assets	927	2,057	2,080	23	65	1,153
Gold coin and bullion	183	183	183	—	—	—
Rupee securities	6,937	6,385	6,422	37	24	—515
Loans and Advances :						
Central and state governments	186	181	169	—12	—5	— 17
Scheduled commercial banks	164	896	902	6	—16	738
State co-operative banks	474	393	407	14	32	—67
Others	436	608	612	4	7	176
Bills Purchased and Discounted :						
Commercial	103	142	149	7	—4	46
Treasury	312	244	231	—13	—10	—81
Investments	83	34	34	—	1	—49
Other assets	367	834	829	—5	16	462

Scheduled Banks—Business in India

(Rupees crores)

Week ended	All scheduled banks			Scheduled commercial banks		
	1975	1976		1975	1976	
	Nov. 28	Nov. 19	Nov. 26	Nov. 28	Nov. 19	Nov. 26
ggregate deposits	13,618	17,071	17,142	13,400	16,468	16,544
Demand deposits	5,543	6,552	6,571	5,482	6,431	6,453
Time deposits	8,075	10,519	10,571	7,918	10,036	10,091
orrowings from Reserve Bank	586	1,284	1,301	164	896	902
ash and balances with Reserve Bank	822	1,219	1,315	802	1,194	1,290
Cash	309	347	349	307	345	347
Balances	514	872	966	495	849	943
nvestments		5,616	5,614		5,422	5,429
Government securities	3,217	3,947	3,951	3,120	3,841	3,844
Other approved securities		1,669	1,663		1,580	1,585
Bank credit	9,772	13,308	13,282	9,514	12,368	12,334
Loans, cash-credits and overdrafts	7,925	10,519	10,513	7,668	9,578	9,565
Inland Bills—Purchased		1,169	1,120		1,168	1,119
Discounted	1,457	1,094	1,120	1,457	1,094	1,120
Foreign bills—Purchased		317	321		317	321
Discounted	390	210	208	390	210	208
Cash-deposit ratio	6.04	7.14	7.67	5.99	7.25	7.80
Investment-deposit ratio	23.62	32.90	32.75	23.28	32.92	32.82
Credit-deposit ratio	71.76	77.96	77.48	71.00	75.10	74.55

Source: Reserve Bank of India.

Consumer Price Index Numbers for Industrial Workers

(Base 1960=100)

Centre	1965-66	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976 March	April	May	June	July	Aug.	Sept.	Oct.
All-India	—	177	186	192	207	250	317	313	286	289	290	291	297	298	302	304
Ahmedabad	130	169	176	181	198	245	305	293	268	273	269	269	276	279	283	281
Alwaye	145	197	198	202	215	267	346	358	322	325	313	321	326	318	322	322
Asansol	140	178	189	194	206	245	316	317	302	306	306	307	314	319	319	324
Bangalore	144	183	186	194	212	265	318	332	304	302	299	301	312	312	319	326
Bhavnagar	132	178	186	194	217	273	327	315	290	282	291	291	291	297	301	303
Bombay	130	175	182	190	203	233	289	300	286	291	290	294	298	294	298	297
Calcutta	131	172	182	187	197	228	288	287	276	286	288	293	296	293	298	306
Coimbatore	132	154	163	177	189	218	209	319	289	281	283	285	300	312	313	315
Delhi	136	185	199	211	222	265	337	333	324	323	320	324	328	334	335	334
Digboi	138	180	189	188	198	234	310	317	303	304	308	317	309	311	310	309
Gwalior	139	184	191	197	214	271	348	324	293	301	305	308	316	322	322	320
Howrah	137	176	186	191	206	239	298	290	217	283	286	286	291	285	290	296
Hyderabad	140	185	189	195	211	251	304	316	289	289	293	295	301	303	304	311
Jamshedpur	136	170	183	187	202	249	313	293	275	275	274	275	280	284	284	297
Madras	134	160	170	182	203	229	301	314	272	272	273	276	281	280	283	289
Madurai	128	152	183	192	206	236	334	333	280	280	284	287	291	293	295	303
Monghyr	151	188	205	204	225	292	263	325	299	290	289	292	313	317	325	330
Mundakayam	138	191	197	199	210	263	337	346	311	312	301	304	309	303	305	305
Nagpur	138	176	187	192	203	256	314	326	277	281	283	289	298	294	305	305
Saharanpur	141	181	186	198	213	253	333	313	293	304	300	299	303	297	297	298
Sholapur	128	176	185	198	216	277	325	342	291	300	303	288	291	306	314	310

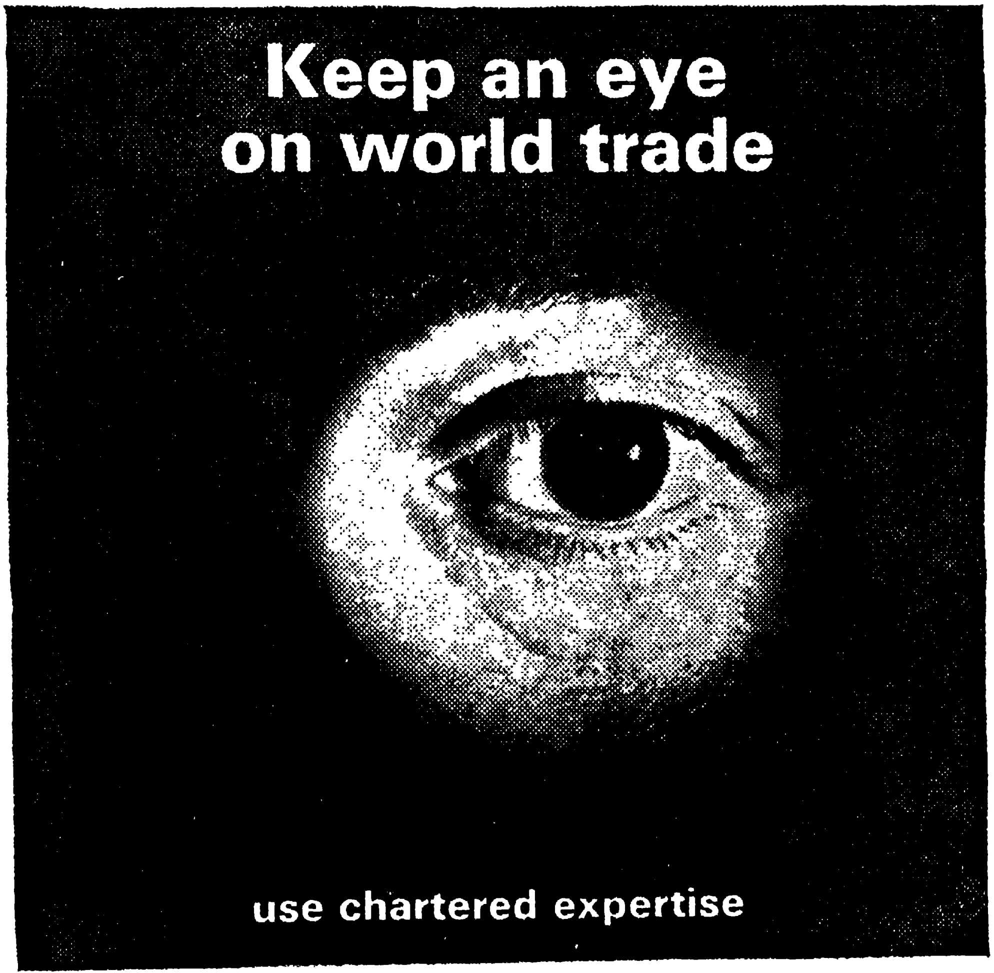
Source: Labour Bureau, Government of India.

Consumer Price Index Numbers for Urban Non-manual Employees

(Base 1960 100)

Centre	1965-66	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1975 Jnue	1976 Jan.	Feb.	Mar.	Apr.	May	June
All-India	**132**	**167**	**174**	**180**	**192**	**221**	**270**	**277**	**283**	**271**	**267**	**265**	**267**	**268**	**270**
Bombay	132	162	168	172	183	204	241	249	251	243	241	242	248	249	253
Delhi-New Delhi	131	168	174	180	190	217	262	273	276	270	267	268	267	270	272
Calcutta	126	162	170	174	180	204	238	243	246	240	238	217	241	244	246
Madras	133	161	175	188	204	231	291	306	310	297	291	287	285	285	287
Hyderabad-Secunderabad	133	167	174	180	195	223	270	283	290	279	272	268	270	271	273
Bangalore	133	164	172	180	194	228	272	284	286	286	281	275	276	273	273
Lucknow	132	161	166	174	185	215	255	270	271	265	263	263	267	266	266
Ahmedabad	131	168	171	173	188	222	271	272	284	262	261	256	256	254	258
Jaipur	133	176	183	188	205	244	308	311	312	306	299	294	300	301	306
Patna	139	180	191	190	199	229	286	284	282	282	283	278	275	273	274
Srinagar	134	174	184	191	200	215	262	283	279	275	275	274	291	294	293
Trivandrum	131	172	178	184	198	231	280	297	300	300	294	293	295	295	295
Cuttack-Bhubaneswar	142	169	176	184	196	221	266	270	275	260	258	258	259	259	259
Bhopal	133	172	180	188	204	238	295	296	306	297	283	278	284	285	288
Chandigarh	129	171	178	183	194	217	265	278	279	267	276	277	278	277	278
Shillong	123	164	166	175	183	208	257	274	280	261	255	259	261	265	264

Source: Central Statistical Organisation.



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